

“SO YOU NEED TO DO SOME WORK ON THE CHURCH BUILDING”
Detroit Presbytery Trustees Q & A
on
Capital and Improvement Projects

Q. Why are the Presbytery Trustees involved?

The Trustees of the Presbytery of Detroit are charged with the oversight of all property within the bounds of the Presbytery. Their role is to assist, advise, and consult. This oversight may include all capital projects requiring the congregation to borrow funds and raise resources beyond the capacity of its normal program budget. It may include working out differences between a Congregation and a Contractor. In no way do Presbytery Trustees want to needlessly impose themselves on a congregation. They are ready to assist when needed.

Q. What is their main role?

One of the main responsibilities of the Trustees is to help congregations determine whether the project helps to fulfill it's goals as a church. Trustees might want to make sure the congregation has asked questions like:

- Is this the best possible stewardship of funds?
- Is the congregation “getting in over its head?”

In the end, the Presbytery Trustees responsibility is to safeguard the Congregation's and Presbytery's future by assuring both parties that the project is sufficiently funded and properly planned.

Q Will they take over the project?

Absolutely not! Presbytery Trustees are to provide a neutral, “third party” perspective on the project from start to finish so that the project becomes a reality. Presbytery Trustees are in partnership with the Congregation, working to bring large and small capital projects to a successful completion.

Q. What if this is a small project like a repair?

Small projects such as minor roof repairs, parking lot repairs (not full replacement), lighting, heating repair or building upgrades are commonly handled by the local congregation. Presbytery Trustees though would suggest the following:

- That there be an adequate number of bids (three is typical), and that the contractor be bonded and insured.
- For any size project, evidence of insurance should be presented prior to any work being done.
- To protect the Congregation, no project should be paid for in advance. A typical payment schedule might be:
 - 40% at signing of contract
 - 50% at completion
 - 10% retained for a period not to exceed ten (10) days to insure proper function and/or installation.

Q. What would the role of the Trustees be in a larger project?

Upon meeting with the Congregation and after gaining the proposed project information (size, type, timetable, etc.), the Congregation's Representative and the Trustee, if invited, might discuss and review the various construction methods. There are three basic methods:

- a. Design/Bid/Build - here an architect is brought in to design the project, it is then put out to bid to contractors, and a contractor is selected to build it. The competitive process and marketplace drives the process and the results. Be cautious of the "low ball bid" as this can result in costly change orders and additional expenses.
- b. Design/Build - here the architect is hired by the contractor or the contractor may have resources for design on staff. The contractor then typically builds the project on a "lump sum" contract or a "not to exceed" price. There is some safety in this method but the assurance of a "not to exceed" price typically costs a little more.
- c. Design and Construction Management - here an architect is selected as well as a contractor who will serve as construction manager. They will competitively put the project out for bid, adding a fixed fee to the costs. They may suggest doing some of the work themselves. This is known as "self-performing."

Q. How does a Congregation get started?

The Congregation's Representative, the appointed members of the Congregation, and the invited Presbytery Trustee will want to be part of the Contractor and Architect interview and selection procedure. Pre-qualification review, experience, reference calls, and site visits of similar projects are a part of this stage. The Trustees will want some assurance that the congregation has a designated, and empowered, "Congregation Representative" who is actively involved and knowledgeable about construction methods and processes. Finally, the Trustees **Loan Form** (attached) should be presented, giving attention to those sections asking for the difference between expected costs and needed financial resources.

Q. What type of Contract should be expected?

With each of the various construction methods comes different type of construction contracts. The Trustees are ready and willing, if asked, to assist the Congregation in understanding the benefits and differences to these contracts. Typically construction contracts are classified as:

- a. Guaranteed "not to exceed";
- b. "Cost plus" with a fixed or percentage fee; or
- c. A combination of both.

Q. How can the Congregation save money?

There are many ways that the Congregation, along with the Presbytery, can be protected without having either side (contractor or Congregation) spending a lot of money. The Congregation should:

- a. Review the pros and cons of the different types of financing options, performance bonds, "sweat equity" by the congregation, and so on.
- b. Be sure the project is a "win-win" for all parties involved.

- c. Stress the need for team (Congregation, architect and contractor) involvement from the beginning.
- d. Discuss and agree how all change orders will be handled along with contingency usage, if there is a contingency (highly recommended).

Q. What about oversight while the project is proceeding?

First and foremost, the Trustees would like to have some assurance that the project is being managed by someone within the Congregation. This might included, but not be limited to:

- During construction, regularly meet with the Congregation and visit the project.
- Review progress vs. the construction schedule that was made a part of the contract. If progress is falling off schedule, discuss how the time will be made up.
- Take digital photos with each visit.

This could mean that a Trustee may be involved with a Congregation over an extended period of time. A Trustee might be asked to maintain a consulting relationship beyond the duration of his/her elected term and should consider that possibility when accepting an assignment.

Q. How should payments be made?

The Congregation's Representative should carefully review each month's pay applications, checking percentages billed compared to the actual construction schedule. In larger projects where an architect and contractor is involved, it is typical to use the standard AIA G702/703 pay application form (attached). Before disbursements it is again typical to make sure that all lien waiver and sworn statement procedures are followed in detail. This will go a long way to protect the Congregation/presbytery from liens and/or lawsuits. Should there be any questions about this procedure, the Trustees are always available for assistance.

Q. What if there are disputes?

Before any work begins, there should be an agreement between the Congregation, the architect and the contractor on how contract disputes will be handled. This is often detailed in the Contract. Read this section very carefully so you know going in what method of dispute resolution is being agreed to. This is good advise for a smaller project as well.

Q. What about closing out a project?

In larger projects, as part of the early planning process, there should be discussion and agreement between the Congregation, the architect and the contractor, as to how the project is to be closed out. Questions that might be considered include:

- What sort of punch list is going to be generated and by whom (typically the architect will develop a punch list but it's not unusual for the Congregation's Representative to develop one as well)?
- What documentation is required prior to final payment being released?
- Will "as builts" are required? When are they to be delivered?

Q. What about follow-up?

The Trustees would suggest that the architect and contractor return to the project eleven (11) months from completion to do another follow-up walkthrough just prior to when the standard one year warranty period expires. All final warranty items would be addressed at this time and a plan generated for completion.

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