Managing Capital Projects

PRESENTATION AT MENA TREASURERS’ CONFERENCE
NOVEMBER 13, 2017

Ann Gibson, PhD, CPA
Andrews University
Example: Building a New Church

Locate suitable property
Secure purchase authorization from conference
Select the contractor
Sign the contract
Work begins on the site
So far everyone is pleased
Work stalls
A seasoned builder visits the site and pulls the records
Bad news:

The contractor used the church’s initial payment to complete a past project and cover its costs.

The contractor cannot continue the church’s project until he lands another project, with its initial funding.
Unfinished Site Preparation
Managing A Project

Step 1: Project approval and financing
GC Working Policy S 15 10:

Each governing entity should have a policy outlining the approval process for capital projects and financing. Approvals may be defined by organizational level (e.g., union, conference, institution) or as a percentage of the annual budget of the organization.
Approval for capital projects and financing is done by the next higher organization (i.e., GC for Division offices; Division for Union offices, etc.)
“Organizations contemplating capital projects (purchasing building, renovating facilities, or new construction) shall be cautioned against undertaking financial obligations that would embarrass the organization.”

GCWP S 15 10
Organizations may be authorized to borrow funds for capital projects, but the policy should identify the maximum percentage of borrowing permitted on any project and the cash requirements before commencement of the project.

Differences may be identified between requirements for a revenue-generating project and projects that must be funded by operations, donations, or contributions.
Borrowing should be secured by the assets of the organization requesting the loan.

To use the assets of another organization for loan security requires special permission.
Step 2: Defining the project and selecting the building committee*

*The governing body should approve the composition of the building committee.
In defining the project, the building committee should consider:

- How will the new/refurbished building function?
- How does the current building function?
- How will the construction project contribute to new or improved services?
Defining the Project/Committee

- What are the effects of the proposed facility on staffing and the cost of operation? Will the operating costs be maintained, lowered, or increased?
- Input from building occupants may be helpful at the planning stage.
Managing A Project

Step 3: Selecting and purchasing the site
Selecting the Site

When selecting the site, consider the following:

- Is the site a natural habitat or wetland?
- Is the profile/topography suited for the project?
- Location and land use adjacent to the property?
- Previous land use? Consider a soil test.
- Does the zoning match the intended use?
Selecting the Site

- Is there sufficient land to meet parking needs?
- If public transportation is required, is it convenient?
- What is the community’s response to the proposed building?
- Obtain a building permit.
Managing A Project

Step 4: Interview and hire the contractor and the architect

- Get bids
- Purchase appropriate insurance
Managing a Project

Step 5: Sign the contract
Step 6: Launch the project (the building phase)
During the building phase:

- Hire someone you trust to be your on-site representative to deal with day-to-day questions.
- Have weekly meetings with the general contractor, your on-site representative and perhaps the architect.
The Building Phase

- “Accept” progress as it goes along rather than waiting until the end of the project to “accept” the work.
- Use the retention (usually 20% in the NAD) to assure satisfaction with the project.
- Remember that changes to the original plan will cost money.
The Building Phase

- If something was forgotten, deal with the matter as quickly as possible.
- Be prepared for pressure to complete the project as quickly as possible. This may require monitoring overtime and work done on Friday night and Sabbath.
- Monitor progress! Monitor progress! Monitor progress!
Final Note of Caution

Policy Reminder:

Capital expenditures for buildings and facilities shall be drawn from non-tithe funds.

GCWP V 15 25
Questions and Discussion
References


Email conversations with Gary Dodge, October 19, 2018. Notes on file. Special thanks to Gary Dodge for sharing the opening story involving the church project.