

Minimizing Your Church's Risk During Construction



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The term "Risk Management" is becoming more prevalent these days. For churches, the term basically means that a church needs to manage the risk factors in a building program, and managing the risks normally means minimizing the risks. So, how can a church minimize its risks during construction?

When we were children, all of us heard our mother say "Don't put all your eggs in one basket". We learned through that advice that if we dropped the basket, we would most likely lose all of our eggs. As we became adults and entered the financial world, we were constantly advised by financial managers to put our investments into several stocks, not just one. We knew if we put all our money in one stock, we were at greater risk of losing our investment.

We are surrounded by thousands of other examples screaming out at us as to how to spread our risks. Insurance companies spread their insurance risks by having several thousands of insured people. All businesses have several customers. Most airplanes have more than one engine and backup system. Here we are surrounded by thousands of examples of spreading the risks, but when it comes to building our church buildings, we most likely disregard all that we see around us and disregard even the sage advice of our own mothers.

How do we do this? We do it by using building delivery systems wherein we sign only one contract for the construction of the facility. This "one" contract can be with a General Contractor, a Design/Builder, or a Construction Manager at Risk. This "one" contractor then signs several subcontracts with smaller prime contractors (ie, plumbers, electricians, drywallers, concrete people, framers, etc.) to build the church facility. When we do this sort of thing, we end up putting all our eggs in one basket. The very thing our mothers told us not to do, we do. If this "one" contractor goes down the tube, the whole project comes to a rapid stop. Obviously, the risk of doing this raises the risk to churches tremendously.

So, how can a church spread its risk and manage risk better? The only way this can be done is to have more than "one" contract to build your church. The building delivery system that is best for allowing this flexibility and safety for a church is what is called a

"Construction Management Agency" contract. With this delivery system, a church will sign a contract with a firm that provides Construction Management services in managing the construction and will sign contracts with perhaps 20 to 30 other firms(ie, plumbing firm, electrical firm, drywall firm, painting firm, etc.) that will be involved in actually building the church. What happens if one of these firms goes belly up? Well, it can readily be seen that it is a lot easier to replace one minor contract than it is to replace one major one. And, the project rarely comes to a roaring halt like it does if you have only "one " contract.

Another thing a church can do to protect itself when utilizing the "Construction Management Agency" type of contract with a construction management firm is to have the firm give a "Guaranteed Maximum Price". This is sort of a modified "Construction Management At Risk" provision with the flexibility of utilizing multiple contracts.