

USE OF CONTRACTORS AND CONTRACT LABOR

New Construction/Major Remodeling (Greater than \$100,000)

1. The church/school board should, for major construction and remodeling projects, form a building/remodeling committee to define and oversee the project following church business meeting approval and designate a single point of contact person for the Conference and Contractors.
2. Contact the Conference Property Management Department to inform them of the intended project via phone at 916-886-5665 or by Email: property@nccsda.com.
3. If the church/school intends to utilize the services of an architect or other design professional it is recommended that a minimum of three bids or proposals be obtained and forwarded to the Conference Property Management Department along with the recommendation of the church/school board or committee.
4. Obtain a minimum of three (3) bids for construction work. Inform those desiring to submit bids that they will need to provide the following:
 - (a) Proof of current State Contractor's license and bond (verify with the California State Contractors License Board at <http://www.cslb.ca.gov/>)
 - (b) Proof of the Workers' Compensation Insurance unless the contractor works alone with no employees or unlicensed subcontractors.
 - (c) A certificate of liability insurance issued before the beginning of work which names the **Northern California Conference of Seventh-day Adventists** as additional insured for a minimum amount \$1,000,000).
5. Church/school board/committee reviews bids and determines the projected cost of the project and fund-raising and/or financing needs.
6. Contact the Conference Property Management Department to have the project scheduled for Conference Building Committee review (property@nccsda.com 916-886-5665) and forward copies of all bids, preliminary plans and project financing plan to the Property Management Department.
7. Submit applications for building permits to the Property Management Department for review and signature.
8. Churches/schools are cautioned against acting as owner/builder on major projects. Please see "The Pitfalls of Being an Owner-Builder."
9. Submit all contractor agreements to Property Management Department for legal review and signatures before the commencement of work.
10. Have the contractor complete an IRS W-9 Request for Taxpayer ID form. The church/school will be responsible for preparing and filing a 1099 form for all contracted work in which the payments exceed \$600 in a one-year period.
11. It is recommended that a separate bank account be established for all major construction projects. In any case, it is the responsibility of the church/school treasurer to properly account for all expenses attributed to the construction project, documenting all expenses with invoices and receipts.
12. Ask for a copy of product warranties for specialized items being installed as part of the project (e.g. roofing materials, appliances or equipment).
13. Obtain a release of lien from all contractors/subcontractors at the conclusion of the project at the time of the final payment.
14. Report the total project expenses, with invoices and receipts if requested, to the Property Management Department for accounting purposes.
15. Lastly, provide a copy of the as-built construction plans to the Property Management Department for safekeeping and future reference.

Major Repairs & Maintenance/Minor Remodeling (Less than \$100,000)

1. Examples of major repairs include re-roofing, HVAC replacement, parking lot re-paving and major repainting.
2. Obtain a minimum of three (3) bids for the proposed work. Inform those desiring to submit bids that they will need to provide the following:
 - (a) Proof of current State Contractor's license and bond (verify with the California State Contractors License Board at <http://www.cslb.ca.gov/>)
 - (b) Proof of the Workers' Compensation Insurance unless the contractor works alone with no employees or unlicensed subcontractors.
 - (c) A certificate of liability insurance issued before the beginning of work which names the **Northern California Conference of Seventh-day Adventists** as additional insured for a minimum amount \$1,000,000 for new construction or major remodeling/repairs or \$500,000 for smaller projects.
3. The church/school board reviews the bids and supporting information and decides on which bid to recommend to the Conference for approval.
4. Submit the recommended bid and supporting information to the Conference Property Management Department for review and signatures.
5. Have the contractor complete an IRS W-9 Request for Taxpayer ID form. The church/school will be responsible for preparing and filing a 1099 form for all contracted work in which the payments exceed \$600 in a one-year period.
6. Schedule work to be performed after Conference approval.
7. In California, the state limits advance payment at the time of contract signing to 10% of the total estimated job cost or \$1,000, whichever amount is lower. All payments thereafter should be made for work performed or for materials delivered to the job site. What this means is that the contractor is required to have good credit sufficient to buy materials and hire subcontractors.
8. Thoroughly inspect the work for completion in all aspects before issuing final payment.
9. Have contractor provide copies of all material warranties.

Ongoing Maintenance Services (Custodial, Landscaping, etc.)

1. It is recommended that the church/school obtain a minimum of three (3) bids for maintenance services. Inform those desiring to submit bids that they will need to provide the following:
 - (a) Proof of current state contractor's license and bond if required for the type of work to be performed. A contractor's license is required for construction, repairs, installation of landscaping and irrigation systems valued at more than \$500 for labor and materials or for work on trees more than 15 feet tall. A contractor's license is generally not required for custodial or landscape maintenance services only.
 - (b) Proof of business license (required in most, but not jurisdictions. Contact your city/county business licensing department if you are not sure what the requirements are in your area).
 - (c) Proof of the Workers' Compensation Insurance unless the contractor works alone with no employees or unlicensed subcontractors (including family members!).

- (d) A certificate of liability insurance which names the **Northern California Conference of Seventh-day Adventists** as additional insured.
2. The church/school board reviews the bids and supporting information and decides on which bid to recommend to the Conference for approval.
 3. Have the contractor complete an IRS W-9 Request for Taxpayer ID form. The church/school will be responsible for preparing and filing a 1099 form for all contracted work in which the payments exceed \$600 in a one-year period.
 4. Note: It is permissible to hire a local church member as a contractor to perform maintenance services for the church/school if they qualify as an independent contractor. Generally this means that they operate a business which provides such services to other customers, but if there are questions about whether a particular individual would qualify as an independent contractor please consult the Conference HR Department. If an individual does not qualify to be an independent contractor they may still be able to perform the services as an employee. The Conference HR Department can also assist with this process.

Use of Handymen/Unlicensed Contractors

1. California law requires all non-employees to have a Contractor's License in order to perform construction, painting, roofing and repairs where the cost of the job, including labor, equals or exceeds \$500.
2. For smaller jobs, a church/school may wish to consider using a handyman rather than a licensed contractor due to the lower cost. However, a handyman may not carry adequate insurance to protect the church/school from liability in the event of damage or injury caused by or to the handyman.
3. Denominational policy requires a minimum of \$500,000 in liability insurance for all contract workers, whether a licensed contractor or not, for work performed on denominational property.
4. Breaking down a larger job into increments valued at less than \$500 to avoid Contractor licensing requirements is prohibited by state law.
5. A better option may be to hire the individual as a temporary employee, paying them through the Conference payroll system. Contact the Conference HR Department for more information.