Time & Materials CONTRACT

This document prevents misunderstanding by explaining to clients exactly what they're paying for

ur business started on a part-time basis, in 1982, while I was still employed as a policeman. In 1989, I retired from the force because I was having more fun remodeling than rid-

by Dave Dahlgren

ing a beat. People were happier to see me, and I felt a much greater sense

of accomplishment. My son, Paul, joined me in 1995, and we've been working together successfully ever since. Most of our work involves kitchen and bathroom remodels.

In the beginning, I would bid a job based on a "stipulated sum." Most of my jobs were small, and an accurate figure was easy to reach. We never worked with a contract because I didn't think we needed one. Until, that is, we did business with our first — and only — "customer from hell." She disputed the charges for time we spent picking up materials. I hadn't specifically discussed this policy with her before the job, so we finally agreed to a discount of a couple of hundred dollars. We later learned that she changed her mind about the color we had painted her kitchen and had the entire room repainted by another contractor — with our money. Soon after, the first draft of our "Time and Materials" (T&M) contract was born.

I've heard that some builders consider T&M contracts to be the refuge of scoundrels too lazy to estimate. There may be truth in that description as it applies to some, but the same thing could be said of a stipulated sum contract. It all depends on the individual making the estimate.

Our T&M document was originally intended to be a simple, plain-spoken explanation of our billing procedure. We sent it along with a good-faith, detailed estimate. Over time, a couple of our clients, who happened to be attorneys, offered suggestions for refinement, and we've added a few common clauses gleaned from cell phone and cable TV service contracts. Our form has thus evolved from one containing information and no contract to about a fifty-fifty split (see contract, page 62). We added signature lines on the recommendation of our most recent attorney-customer.

A Closer Look

Note that, under the Time heading, "Extra setups" alerts customers to one way they can avoid potential charges. If they surprise us by leaving town on vacation or business while their job is in progress, we may be required to pack up and suspend activities for the duration. This notice allows them to change the starting date of the job, if necessary, or rearrange their schedule to prevent a conflict. Usually, in the case of an absentee client, we'll receive a key to the house, along with the alarm code.

No markups. We pass along our materials to the customer at cost. Administrative costs, pickup and delivery time, and other related charges are added to the bill as labor. Our customers appreciate the apparent savings, and our expenses and time are covered.

Who gets what? We do allow customers to pick up and purchase their own materials to reduce their costs. However, we couple this approach with a discussion of

AGREEMENT TO PERFORM SERVICES ON A "TIME AND MATERIALS" BASIS

Between:	
D&M Remodeling and	Date:

This document is similar to the legal boilerplate you find on the back of a rental car agreement or credit card application. The difference is that this one is easier to read and can be used to your advantage.

The items and issues covered are the same commonsense things you would ask from me if our roles were reversed. It is my business philosophy to provide you, the customer, with the highest quality of service and product at a price that's fair to both of us.

In an attempt to eliminate misunderstandings, the following explains how I calculate the time and materials for your job.

TIME

These are the time categories that you should expect to see on your bill:

- Actual time spent at the job, including setting up and putting away tools, and cleaning the site. I like to stay on the job as many consecutive days as possible to reduce setup times. Your cooperation in scheduling will help keep these costs down.
- Time starts when I get to the job and continues until I leave at the end of the day, less any time away from the job or sitting down for lunch. If I'm eating while I work, you're being charged.
- If you want to talk to me while I'm there, well, you guessed it, \$\$.
- *Travel time.* If the job is located within Duval County, there is no travel charge. If the job is outside of Duval County, the meter starts when I leave Duval County and stops when I recross the county line on the way home. (The county line is between 15 and 20 miles from my house.)

- Time for picking up materials and supplies for the job begins when I arrive at the place of purchase and includes travel from there to the job.
- If you call me to the job during unscheduled times to discuss anything other than warranty work, the time I charge for will begin when I leave my house and end when I return. This applies inside and outside Duval County.
- Time spent on job-related phone calls and any related long-distance charges.
- Hourly rates: Dave \$40, Paul \$21, helper \$10.
- Extra setups. In your estimate, I have figured the number of times we will have to set up and break down our equipment. If extra setups are required due to delays caused by you, you will be charged for the additional time.
- Estimates. The actual time spent on estimates, including travel time, will be added to your total once we enter into an agreement. If you decide not to hire us, the estimate is not chargeable. Shop drawings, renderings, and material lists, if requested, will be chargeable upon their delivery and become your property. The charge for such items will be based on the time involved in their preparation.

MATERIALS

These are the actual materials used to produce the job, including related supplies such as fasteners, caulk, plumbing fittings, electrical wiring devices, etc. I pass these items along at my cost, plus procurement time — after all, I'd be on the job if I weren't getting your materials.

If you want to pick up or supply your own continued next page

the items needed and the financial downside if they stray outside our recommendations. Items such as drywall, mud, and lumber are difficult to get wrong. But if the customer seems a little unclear on any item, we volunteer to get it. In our experience, customers typically decide to avoid problems by having us handle the purchasing. We always require the customer to select and provide lighting fixtures, plumbing fixtures, flooring, and tile. I give my recommendations and direct customers to experienced and helpful suppliers. We send

customers shopping well in advance of the job, in case the items delivered are incorrect or incomplete.

Changes. To minimize changes, we work from a written plan. It may be as elaborate as a complete kitchen layout or a simple written description of the things to be done. We go over the plan in detail before any work starts and emphasize that, if changes are necessary, they should be communicated as early as possible. It's much cheaper to change direction than to go in reverse.

Power tool. We use QuickBooks Pro to estimate our

materials, that's okay. You can save the time it would take me to do it. I can give you a shopping list, or you can chance it on your own.

Anything you can do to help will directly reduce your charges. Selecting, purchasing, and delivering your own materials and fixtures will realize the most significant savings. I will be happy to provide suggestions and help you make a shopping list. Please consult with me before you decide on an item outside our list. The item might not be suitable for the application, which would result in costly delays.

CHANGE ORDERS

The most costly thing that can happen is for you to make changes in the job after it has started — changes that should have been made before the work began. Careful planning and a commitment to the plan are the most effective strategies to keep those costs down.

The most important thing to understand about this bid. Pricing a remodeling job is nothing more than educated guesswork. There is no practical way to know beforehand what's behind the walls, whether it be substandard workmanship or termite damage. The price I quoted for this job has been calculated in good faith but is by no means final. The actual job total may be more or less, depending on the actual time and materials involved.

WARRANTY

I will guarantee my workmanship for a period of one year from the date of substantial completion.

Any dispute regarding the performance of any materials or their installation will be decided by the most current edition of the *Residential Construction Performance Guidelines*, published by

Customer	Date

jobs. This program has a feature that allows us to track time and expenses by class — as many classes as necessary. Customizable reports show the exact cost of a specific operation on a previous job. We apply and adjust that data to create new estimates. The customer then receives our agreement form along with an estimate that is broken down into the cost of subs, labor, and materials.

Our form isn't intended to be an airtight agreement, although, as far as we understand, the language conforms to Florida law. There is no shortage of clients in our part

the National Association of Home Builders.

I will not be your agent in claims arising from the failure of any materials that I install in your project if they have been installed in compliance with the manufacturer's recommendations and are generally considered to be suitable for the application.

You will be responsible for handling warranty claims for any materials, supplies, appliances, or other items you supply that are used on the job.

ACCEPTANCE AND TIMING

Allowing me to begin work, signing this agreement, or authorizing me to order materials constitutes a constructive acceptance of this agreement and the terms therein.

DRAWS

I will provide you with a detailed invoice on a weekly basis. The invoice will reflect the dates and times worked, work performed, and materials provided. Invoices will be presented on Wednesdays and payment will be due on the following Friday.

PAYMENT

Payment in full is due upon substantial completion of the project. In the event of an unexpected delay of more than one week that is caused by circumstances beyond our control, payment for all work completed, and materials and supplies provided, will be due at the end of the aforementioned week.

ATTORNEY FEES

You agree to pay all costs, including reasonable attorney's fees, collection fees, and court costs I incur in enforcing this agreement through any appeal.

	_
David M. Dahlgren	Date

of Florida who are eager to pay for exceptional service. We have several regular customers who call on us for a variety of projects. Typically, all they ask for is a general budget estimate and we get the go-ahead. I always try to price the job a little higher than I think it will be. So far, we haven't heard a single negative response when the invoice comes in lower than the bid.

Dave Dahlgren and his son, Paul, own and operate D&M Remodeling in Jacksonville, Fla.