



MEMORANDUM

TO:	Board of Trustees
SUBJECT:	Reserve for major building repairs
FROM:	Tim Brennan, Treasurer & CFO
CC:	Larry Ladd, Peter Morales, Harlan Limpert
DATE:	January 13, 2016

A key aspect of the stewardship of our new headquarters at 24 Farnsworth Street is conducting an annual Facilities Condition Assessment (FCA). The FCA gathers data to reduce risk, ensure business continuity, and optimize facility investments over the long-term. The process of preparing the FCA involves a team of one or more specialists inspecting each system in the building to understand its condition. This includes roofing, outer walls, windows, HVAC, elevators, fire safety, etc. The useful life of each system and the cost of replacement is estimated, adjusted for inflation, and scheduled out over 8 to 10 years. The resulting analysis forecasts the annual investment required to maintain all building systems in good condition.

Our new headquarters building is in basically good shape, but will require significant investment in coming years to maintain its functionality. The building was constructed as a warehouse in the early 20th century and converted to an office building in the early 1990s. The systems that were installed then – including elevators and HVAC – are nearing the ends of their useful lives.

In preparing the FCA, we have the advantage of the extensive engineering analysis that was done during the due diligence period prior to entering into the lease-purchase agreement. We have also hired a general contractor to inspect all of the building systems and consulted with the building management company, Barkan Management (Barkan was the original developer who converted the building to offices).

Many organizations fail to make sufficient investments in their building systems resulting in what is called deferred maintenance. Essentially

this is pushing off these necessary building investments to future generations. Best practice is to set aside cash in a separate account on an annual basis so that there are sufficient funds available as each building system needs replacement. Therefore, we are requesting that the Board adopt the following resolution:

MOVED: That the Treasurer annually conduct a Facilities Condition Assessment (FCA) and set aside sufficient funds in a board restricted account to pay for major repairs and maintenance of major building systems in accordance with the FCA.