

Facilities Budget Plan
for
Fiscal Year 2011-2012

Approved 6-0-2 by the Board at the 12.6.2010 meeting

review history:

9.23.2010 – overall numbers reviewed by Facilities Committee
10.21.2010 – full version reviewed by Facilities Committee
11.17.2010 – reviewed by the Board (packet inclusion)

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FY 11/12 Budget Summary with Historical Data

	FY11/12	FY10/11	FY09/10	FY08/09	FY07/08
Facilities Committee Discretionary	\$ 2,500	\$ 2,000	\$ 2,500	\$ 2,000	\$ 3,750
Planned Projects	73,262	80,400	83,500	165,900	74,000
Routine Maintenance	41,390	37,956	37,502	30,344	36,465
Minor Maintenance	27,863	38,144	27,998	26,500	25,247
Contingency	13,769	n/a	n/a	n/a	n/a
Facilities Section in ICC Budget	158,784	158,500	151,500	224,744	139,462
Renovation Savings	18,890	18,706	17,979	17,843	33,761
Facilities Reserves Savings	12,593	12,471	11,986	11,895	12,500
Total Facilities Savings Contributions	31,483	31,177	29,965	29,738	46,261
Spending from Renovation Savings	-	-	-	50,000	-
Spending from Prior Year(s) Funds	-	20,100	1,500	-	7,600
Spending from Expansion Savings	-	-	-	30,000	-
Total from Savings & Prior Years	-	20,100	1,500	80,000	7,600
Total Budgeted Facilities Spending	\$190,267	\$209,777	\$182,965	\$334,482	\$193,323
% of net budgeted FY 11-12 revenue ¹	15.0%	15.1%	14.7%	14.7%	15.6%

¹ Previously 'Capital Improvements'. Proposed name change.

² DRAFT Fiscal Year 2011-2012 budget presented with new >\$1000 minor maintenance definition

³ Proposed new unallocated category to account for unplanned major events

⁴ Overall facilities spending initially set at 15% per policy passed in spring 2010 – final percentage could change, but this draft is based on the 15% level

Important Points on Draft:

- The planned improvement projects selected in this draft have not been approved by the facilities committee. The facilities committee requested that I put together a list for consideration that would fill the \$73,262 allocation for planned projects.
- Reclassification of house telephone expenses to routine maintenance for fire alarm monitoring effectively reduces the amount spent on planned projects by about \$3,200 over last year.
- To facilitate budget tracking and help with future spending predictions, large unforeseen expenses now come out of Contingency rather than being lumped in with Minor Maintenance or Capital Improvements

General Notes on Budget Draft

Per Brian's instructions, I've drafted a budget plan for next year that will allow time for me to focus efforts on long-term (multi-year) facilities planning this fall and spring. Consequently, only modest improvement projects requiring minimal logistical coordination are recommended. No houses are recommended for shut-down/spruce-up. Concentrating my efforts on long-term planning was mentioned at the October Facilities Committee meeting and no objections were raised. If the Board has any concerns about this approach, now would be the time to take action. Switching to an ambitious FY 2011-2012 improvement project plan after November is not recommended because there would be inadequate time for thorough planning.

The draft plan makes several changes to the budget categories in an effort to improve tracking performance to budget. "Capital Improvements" becomes "Planned Projects". "Minor Maintenance" is defined to be repairs less than \$1000. Lastly, a new Contingency category is created to budget for high-cost/low-frequency repairs (repairs costing more than \$1000) and emergency capital expenditures (e.g. replacing the French House grease trap) not covered by the facilities reserve policy. The new categories disentangle capitalized versus non-capitalized projects (accounting jargon that doesn't impact the cash budget) and remove major repairs from the minor maintenance section.

Facilities Committee Discretionary

The Facilities Committee administers the Facilities Committee Discretionary funds per the standing rules. Last fiscal year, about one quarter of this money went to cover labor holiday expenses and the other three quarters to miscellaneous projects. In the past, up to \$10,000 has been budgeted. Prior to last year, the committee typically approved only \$1,000-1,500 in projects each year, leaving the balance to ICC surplus. Last fiscal year, the full \$2,500 budget was used. The current budget was approved with \$2,000. I'm proposing a \$2,500 level for the FY 11-12 budget. The Facilities Committee considered the discretionary budget at their October meeting, but did not elect to change the draft. For reference, I've included the prior and current year spending details:

FY 09/10 Discretionary Expenditures

House	Project	Cost		% received of \$2500 budget
AR	Front yard fence rebuild	285.92	Arrakis	12%
RO	Trash hauling and labor holiday supplies	267.29	Avalon	-
HE	Room CD bathroom floor and plumbing	144.33	Eden	-
NG	Labor holiday supplies	333.87	French	31%
NG	Cottage electronic door lock	526.42	Helios	11%
FH	Front yard bench and trellis	489.86	HoC	-
HE	Dining room paint	121.36	New Guild	35%
FH	Front yard landscaping/rainwater collection	240.1	Royal	11%
FH	Alumni pictures and frames project	20.04	Seneca	-
		<u>2429.19</u>		<u>100%</u>

FY 10/11 Discretionary Expenditures FY 10/11 Discretio

House	Project	Cost		% received of \$2000 budget
RO	Paint for living room	92.92	Arrakis	26%
AR	Bike shed project	518.74	Royal	5%
AV	Compost bin project	44.52	Avalon	2%
		<u>656.18</u>		

Planned Projects (formerly Capital Improvements)

The motivation for renaming this category is to minimize the confusion resulting from the terms previously used: Capital Improvements and/or Summer Projects. In short, many capital improvements are not capitalized and many are not done in the summer.

Another substantial change I'd like to suggest is moving funds for unplanned capital expenditures into a its own new category, Contingency (see details later in draft budget plan). This should facilitate tracking performance to budget. We'll have a clearer picture of what percentage of facilities funds are spent on planned projects versus emergency projects. This in turn should help with predicting future cash flow.

ICC tackled the last remaining obvious pressing problem, the poor water service at Royal, in the summer of 2008. Of course, Eden remains in a generally dilapidated state, but work was done in the summer of 2010 to mitigate problems until a plan for the house can be created. This leaves ICC in the position of needing to carefully consider its long-term goals and how to achieve them (see article on the last page). Most of these long-range issues are big, such as fire sprinkler and safety upgrades, ADA compliance, mandatory energy efficiency upgrades, window and foundation replacements, and extensive remodels. ICC can't really approach these projects using year-to-year rental income: expenses will exceed funds available in a single year and construction times could easily exceed the eleven weeks available in the summer. ICC needs a five-to-ten year facilities plan to begin to frame the situation into something manageable. Long-term planning now will require an upfront cost in staff time that will result in very modest facilities work for the upcoming year. As mentioned earlier, I've been instructed to prioritize multi-year planning.

The Facilities Committee reviewed a list of approximately \$230,000 in potential projects that I put together. The list was by no means exhaustive. I suggested only projects that would not require a lot of planning and coordination. I was tasked by the Facilities Committee to put together some suggestions, but these have not yet been reviewed by the Facilities Committee. All costs are rough estimations.

Planned Project Recommendations:

AR	exterior repairs/paint	25,000	
	replace carpet	7,000	
FH	replace garage breaker panel	700	Fire & Safety
	duct repair/sealing & attic insulation	3,500	
	install metal roof on main house	3,200	
HE	turret roof repair	1,862	
NG	replace cottage stairs & sundeck	24,000	Fire & Safety
	fire escape paint and welding repairs	3,500	Fire & Safety
RO	fire escape stairs to sundeck	1,500	Fire & Safety
SE	duct repair/sealing & attic insulation	3,000	
		<u>\$73,262</u>	

Other Projects Considered (but not included):

AV	replace shower drain	5,000
FH	main house metal roofing	3,200
HE	duct repair/sealing & attic insulation	3,500
HC	annex bathroom remodels	20,000
NG	replace main house roof (metal)	50,000
	basement duct reconstruction	4,500
RO	replace roof (metal)	35,000
	attic dormer rebuild	30,000
SE	bathroom remodel (1)	10,000
		<u>\$161,200</u>

PROJECT DESCRIPTIONS:

(Note that these descriptions are rough estimates of project cost and scope. Once I get the sense that these will be the approved projects, I'll put in the hours necessary to develop detailed plans and solicit bids.)

Arrakis Exterior Repairs/Paint (\$25,000) - The siding, trim and paint is deteriorating rapidly, partly due to poor quality materials and partly to shoddy workmanship. Work needs to be done soon to minimize excessive damage due to rotting, especially on the north facing wall. Project would include replacing all trim with hardiboard or cedar, repairing deteriorated siding, and priming and painting. Additionally, the poorly constructed skirt around the base of the building would be replaced. Work necessary to prevent pigeons from roosting will also be considered to prevent gutter back-ups.

Arrakis Carpet Replacement (\$7,000) - The carpet has been in use for seven years and is at the end of its useful life. To keep Arrakis from becoming disgusting, the carpet needs to be replaced within the next year or two.

Avalon Shower Drain Replacement (\$5,000) - One of the downstairs shower stalls in the main house has something in the line that can't be cleared. The shower works, but clogs up every 2-3 months, requiring a service call for clearing. The only solution is to dig up the drain. If the cause was something that ICC put down the drain, ICC would pay; if it's roots or something similar, the Avalon owners would pay. My guess is that it's a piece from an old shower drain strainer. Alternatively, ICC can continue to pay the drain clearing costs – unless the problem becomes so severe that the shower becomes completely unusable.

French House Garage Obsolete Electrical Panel Replacement (\$700) - Federal Pacific electrical panels are notorious for malfunctioning and causing fires. Replacement of this panel will minimize risk.

French House Duct Repair and Attic Insulation (\$3,500) - Energy efficiency upgrades. Ductwork under the house seems especially leaky and attic insulation is currently minimal.

French House Driveway and Parking Lot Rehab (\$12,000) - Demo and resurface driveway and parking lot to improve drainage (prevent puddling).

Helios Turret Shingle Repair (\$1,862) - The hail storm in May 2007 broke many of the old slate shingles off the turret. These can be repaired, but the cost is high due to the materials, height, and steep slope of the roof. Since the majority of the roof has about 2-3 more years of life, it may be best to wait. However, if the roof starts leaking before then, some kind of repair will need to be done.

Helios Duct Repair and Attic Insulation (\$3,500) - Energy efficiency upgrades. Ductwork under the house seems especially leaky and attic insulation is currently minimal.

House of Commons Annex Bathroom Remodels (\$20,000) - The two upstairs annex bathrooms have significant problems almost every year with water dripping down into room 17. Remodeling the bathrooms will significantly improve the situation, especially if the tubs are replaced with showers.

New Guild Cottage Staircase and Sundeck Replacement (\$24,000) - The old wood stairs and deck built 20 years ago are failing. After Facilities Committee review, ICC spent about \$6,000 in 2010 making temporary repairs to the structure as an interim measure. This project would involve removing the entire existing structure and replacing it with a steel staircase and steel-supported deck. Removing the sundeck would allow access to the roof of the shed, allowing for needed replacement. Deteriorating siding on the shed would be replaced with Hardiboard panels.

New Guild Fire Escape Welding Repairs and Paint (\$3,500) - Structure to be thoroughly examined and rusted components replaced as necessary, then primed and painted.

New Guild Main House Roof Replacement (metal) (\$50,000) - The main house roof is at the end of its useful life. This doesn't mean that it's leaking or that it won't last another year, but that the shingles and supporting wood are severely deteriorated. Because of the substandard work done in 2000, the brackets supporting the eaves need to be replaced in order to raise the sagging roof. This project would also include replacing all the fascia and the 3rd floor exit hallway exterior siding.

New Guild Basement Duct Reconstruction (\$4,500) - The ductwork in the basement is in poor condition and should be rebuilt to improve energy efficiency in the winter (and possibly the summer if central a/c is ever added).

Royal Fire Escape Stair to Sundeck (\$1,500) - The current steps are constructed of wood but should be replaced with metal.

Royal Roof Replacement (metal) (\$35,000) - The main house roof is at the end of its useful life. This doesn't mean that it's leaking or that it won't last another year, but the shingles and supporting wood are severely deteriorated. Adding a metal roof could increase the energy efficiency of the house and could be combined with other techniques for reducing heat gain to the house.

Royal Attic Dormer Reconstruction (\$30,000) - The three attic dormers are in poor condition. Reconstruction of the dormers makes sense as part of installing a new metal roof.

Seneca Bathroom Remodel (\$10,000) - Various bathrooms at Seneca could be replaced (along with many at other houses). Bathroom remodels cost about \$10,000 each. Resurfacing (new tile and fixtures) may be an alternative in some cases and runs about \$5,000 per bathroom.

Seneca Duct Repair and Attic Insulation (\$3,000) - Energy efficiency upgrades. The attic ductwork is pretty leaky and the insulation is in poor condition.

Routine Maintenance

This category contains ICC's ongoing facilities services and preventative maintenance expenses. A detailed house-by-house monthly breakdown of the FY 11/12 expected costs is available

Routine Maintenance Summary with Historical Data

	FY 07/08	FY 08/09	FY 09/10	FY 10/11	DRAFT FY 11/12	Δ from FY 10/11	
Permits/Licenses	2,070	2,223	2,975	2,975	2,760	(215)	
Fire Safety Equipment Inspections	4,374	5,324	7,175	7,149	6,799	(350)	
Stove Hood Cleaning	1,050	1,050	-	1,050	1,050	-	AR,FH,NG hoods
Grease Trap Cleaning	2,892	2,908	3,960	3,960	3,960	-	
Regular Pest Control	2,808	2,808	3,360	3,740	3,852	112	
Termite Warranty Renewals	1,150	1,150	895	895	895	-	
Furnace/Central a/c Inspections	2,175	2,175	2,525	2,525	2,872	347	
Arborists	2,850	2,850	2,850	2,150	2,800	650	
Gutter Cleaning and Repair	2,550	2,550	2,550	2,350	2,350	-	
Fire Alarm Monitoring	3,204	3,564	7,020	6,612	10,692	4,080	reclassifying house phones
Carpet Cleaning	1,450	1,450	1,450	1,450	1,450	-	
Keying Expenses	-	-	-	1,000	460	(540)	better estimates of actual costs
Pool Supplies/Equipment/Service	2,292	2,292	2,292	2,100	2,100	-	
	28,865	30,344	37,052	37,956	41,390	3,434	

Permits/Licenses – No major changes from previous fiscal year. The budget amount includes a \$10 increase in hotel/motel/room house permits. The other permits are commercial kitchen and pool licenses and backflow prevention device licenses.

Fire Safety Equipment Inspections – Very little change anticipated from previous fiscal year. Adding fire alarm systems at the houses resulted in a large increase in expense over the last five years was due to. The last house was done in summer 2008, so the budget should be stable for awhile. Inspections include alarm & sprinkler system annual inspections, stove hood bi-annual inspections, and fire extinguisher annual inspections. I was able to negotiate some price reductions for the inspections at Avalon and Eden for next year.

Stove Hood Cleaning – Hoods are professionally cleaned on an as-needed basis. Based on a recent survey, only Arrakis, French House and New Guild will need to be cleaned next fiscal year.

Regular Pest Control – ICC provides regular pest control to houses. Some houses are serviced monthly and some quarterly. Some have rodent service, some don't. The service level depends on need. Detailed house details are available. There was a large amount of rodent activity over the past couple of years, most likely due to all the west campus construction, but the problem now seems to be under control. No major increase is anticipated.

Termite Warranty Renewals – All houses, except for Avalon, have been recently treated for termites. The treatment is guaranteed as long as ICC pays an annual renewal fee. The fee purchases a termite inspection and free treatment if termites are discovered.

Furnace/Central A/C Inspections – Furnaces are inspected annually for safety reasons (to check for carbon monoxide leaks) and for proper operation to ensure long life. The central a/c systems are checked annually to ensure efficient operation and to catch small problems before they get bigger. Prices per unit have been raised slightly by our contractors.

Arborists – This is primarily to keep trees trimmed away from buildings. Costs have been increased because we've been informed by the Avalon owners that we are at least partly responsible for the trees, and to budget for the unknown damage caused by the extended drought over the past couple of years.

Gutter Cleaning & Repair – All ICC houses have at least some gutters. In order to keep them in good operation, and prevent damage to the buildings, the leaves need to be cleaned out regularly. Due to the very high roof lines at the houses, insured professionals are used to do the work.

Fire Alarm Monitoring – State law requires that fire alarm systems are monitored off site. This service varies in cost from \$25-40/month. The fire alarm systems require two phone lines. In prior years, one of the phone lines was classified as a “house telephone expense”. However, due to near universal lack of use of land lines at houses by members, this year we are reclassifying the expense as Fire Alarm Monitoring to more accurately reflect the nature of the cost. The 2nd phone line is still available for use by houses, if they want. The result is a ~\$3,200 increase in facilities expenses which is more or less directly taking \$3,200 away from improvement projects.

Carpet Cleaning – ICC strives to clean every carpet at least annually in order to dramatically increase the useful life of the carpet and increase room/house desirability. Most of the carpets are at Arrakis and Avalon.

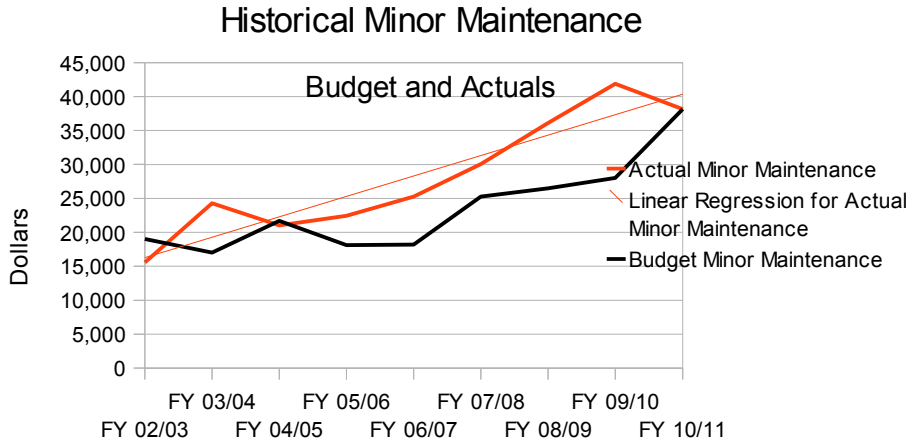
Keying Expenses – ICC re-keys locks per Texas law. The ongoing cost for compliance looks like it'll be about \$450 rather than the \$1000 that was anticipated last year before the new program began.

Pool Supplies/Equipment/Service – Pays for chemicals, minor maintenance and professional service during the pool season, April 1 – October 15. No changes in cost expected.

Minor Maintenance

These funds are used for ongoing regular maintenance (to fix small things that break). Last year, historical minor maintenance budget versus actual spending was analyzed. The updated results follow:

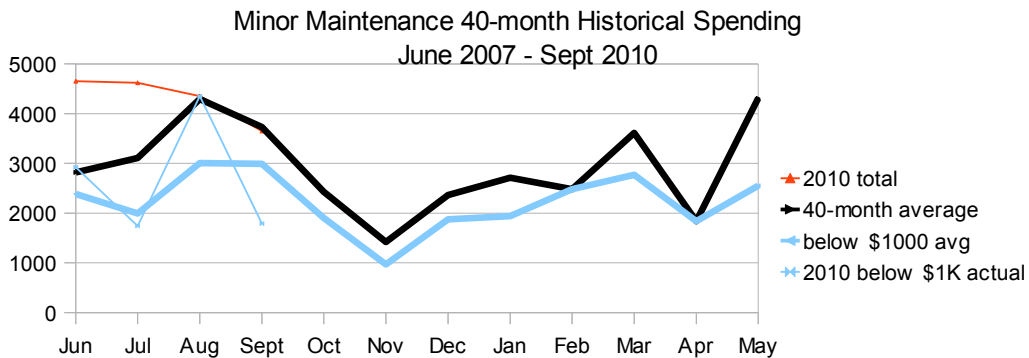
	Actual Minor Actual Mino	Budget Minor Budget Mino
FY 02/03	15,574	19,000
FY 03/04	24,297	17,000
FY 04/05	21,043	21,694
FY 05/06	22,459	18,133
FY 06/07	25,253	18,183
FY 07/08	30,069	25,247
FY 08/09	36,113	26,500
FY 09/10	41,882	27,998
FY 10/11*	38,144	38,144



*projected annual actual

The data showed a growing gap between budget and actual minor maintenance spending. The current budget attempts to close the gap, but we won't know how well it succeeds until later in the year.

The other obvious issue with the minor maintenance spending pattern is the higher than inflation slope of the trendline. So, I looked at the past 40 months of spending for patterns. (If anyone has statistical analysis skills, I'd be glad to have them look at the data. My abilities in this area are extremely limited.) A couple of things popped out at me. First of all, I found that a small number of what I call high-cost/low-frequency (HCLF) events (single expenses over \$1,000) really throw the budget out of whack. With the HCLF events removed, a somewhat more stable spending pattern emerges, generally between \$2,000-2,500 per month. Further, to classify a \$2,000 repair as “minor” seems misleading.



Note the less dramatic fluctuations in the expenses under \$1,000 in heavy blue. The light blue line representing actual monthly spending for FY 10/11 to date follows the heavy blue line on average. The thin red line shows total actual spending for FY 10/11 so far, which was substantially higher than average due to three HCLF events.

High-cost/low-frequency Events between June 2007 – Sept 2010

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Tot
2007												1	1
2008		1	1				1	1		2			6
2009			2	1	1	1						1	6
2010	1	1		1									3

I broke down the HCLF events into <\$2,000 and \$1,000-\$2,000 types. Based on the past 40 months, we get annual frequencies of 1.5/year for <\$2,000 and 3.3/year for \$1,000-\$2,000. Those numbers can feed into estimating costs for the Contingency section (see next section).

As part of an effort to improve the predictive value of the budget, I'd like to remove the larger expenses from the minor maintenance, moving them to a new Contingency section. For the current year, I'm suggesting that we apply a new definition for minor maintenance, limiting them to expenses below \$1,000. For the purposes of cost estimation for FY 11/12 budget, I simply averaged the past two years minor maintenance totals (including only expenses under \$1,000): \$25,025 (FY08/09) + \$29,901 (FY09/10) = \$27,463.

Per policy, ICC budgets funds for ICC tools to be stored in the ICC shed available for check-out by members. I suggest \$400 be allocated. This brings the total estimated minor maintenance to \$27,863.

Contingency

I am recommending the creation of a new category for major facilities expenditures that would incorporate costs that were previously part of Minor Maintenance and Capital Improvements. In effect, this would be the “emergency unplanned projects” category. The total Contingency would be based on historical HCLF events (formerly included as minor maintenance) and include a relatively arbitrary allocation for unplanned capital expenses. For the FY 11/12 budget:

1.5 events/year @ \$2,700 average cost	=	\$ 4,050
3.3 events/year @ \$1,430 average cost	=	\$ 4,719
allocation for unplanned capital expenditures	=	\$ 5,000
Total Contingency		
		\$13,769

Renovation Savings Balances

1.5% of gross room and board goes into Renovation Savings per policy. These funds are meant to allow ICC to do mid-size projects, typically in the \$20,000-\$60,000 range. (The Finance Committee and Board may want to consider raising the \$20,000 minimum project size to something closer to \$40,000 to make the savings make a little more sense.) Renovation Savings allows ICC to avoid borrowing for some facilities projects, however, these savings will not be nearly enough to for ICC to keep from having to borrow heavily in the future

	Renovation Savings Year	
	Renovation	
	\$0	no reno. savings policy
FY 01/02	\$87,795	spending for Arrakis
FY 02/03	\$50,641	spending to rehab Eden
FY 03/04	\$40,345	
FY 04/05	\$39,831	NG bathroom remodels
FY 05/06	\$89,440	emer savings to reno & NG bathroom remodel
FY 06/07	\$76,403	
FY 07/08	\$38,884	RO plumbing rehab
FY 08/09	\$53,958	
FY 09/10	\$73,487	forecast
FY 10/11		

for mandatory life safety upgrades and other large expenses related to keeping 100- year-old buildings operational, such as foundation and window replacement.

There is no proposed spending from Renovation Savings for FY 11/12 at this time.

Facilities Reserve Savings

1% of gross room & board goes into a savings account to be spent only on items outlined in section 8.21 of the standing rules. The purpose is to have funding available for expense systems like water heater and HVAC units when they reach the end of their useful lives (die). The fund acts as a buffer to keep the ICC annual budget from being thrown off. For example, if ICC only replaces one water heater in a fiscal year, it might seem like there is a surplus. But the following year, ten things could break, making it seem like a deficit. The reality is that large system failures occur in clusters that don't average nicely within a one-year time frame.

I'd like for the Finance Committee to consider incorporating Contingency funds (if the category change is accepted) to the Facilities Reserve Savings policy so that they end up rolling into savings if not used.

As with all big unexpected expenses, they aren't usually spread out evenly over each fiscal year.

FACILITIES RESERVE HISTORICAL SPENDING

(1,965)	Helios commercial freezer
(1,981)	New Guild commercial freezer
(4,360)	Seneca 2 nd floor furnace & partial a/c replacement
<u>(1,523)</u>	Eden water heater replacement
(9,829)	total FY 07/08 spending
<u>12,500</u>	annual contribution to reserve
<u>2,671</u>	ending fund balance
(5,753)	New Guild water heater replacement
<u>(2,096)</u>	Arrakis commercial freezer
(7,848)	total FY 08/09
<u>11,195</u>	annual contribution to reserve
<u>6,018</u>	ending fund balance
(2,085)	Avalon commercial freezer
(2,085)	Seneca commercial freezer
<u>(2,147)</u>	Royal commercial freezer
(6,317)	total FY 09/10 spending
<u>12,001</u>	annual contribution to reserves
<u>11,702</u>	ending fund balance
(2,096)	HoC commercial freezer
(2,388)	HoC commercial refrigerator
<u>(4,483)</u>	to-date annual spending from reserves (sep 10)
<u>3,447</u>	to-date annual contributions to reserves (sep 10)
<u>10,666</u>	to-date reserves balance (sep 10)

The Facilities Reserve funding should be examined carefully next year to determine if it is being over-funded (or if additional expense classes should be added). It appears that it may be over-funded by \$4,000/year. Of course, a few events could quickly spend the balance.

Looking forward at possible large expenses: The hot water heaters at French House and House of Commons are 14 and 12 years old respectively. The hot water heaters at Eden, French House, Helios, New Guild, and Seneca all failed after 12 years. The cost for replacement is about \$6,000 each.

Rollover Funds

Per policy, improvement projects approved but not completed within the fiscal year are "rolled over" to the next fiscal year. Currently, all projects from FY 10/11 are expected to be completed by the end of the fiscal year, so the rollover funding in the budget plan is \$0, but this could change.

The Challenge of Determining Facilities Needs

I am frequently asked, “well, what projects do we need to do now, and what will ICC need to do over the next couple of years?” The question implies an unspoken question, “*needed to achieve what end?*” - a question that ICC has yet to answer. My response, “well it depends”, always sounds wishy-washy because it's not up to me to decide ICC's mission and strategy. There is no cut and dried answer.

One perfectly reasonable option would be to make no improvements next year. During past periods when ICC had no money, ICC made no improvements and things worked out fine. If ICC prioritizes expansion, then perhaps the \$70,000 currently used for planned improvement projects could be repurposed for a few years. Although houses will continue to degrade during the improvement hiatus, pushing the cost of maintenance onto future ICC members, the deferred maintenance may be an overall benefit to ICC, especially if a strategic goal can be achieved.

What *needs* to be done remains a relative term even if one assumes continued spending at historical levels. The New Guild roof is a typical situation: The shingles are deteriorating rapidly and need to be replaced. On the other hand, the roof doesn't currently leak, and future leaks or other shingle damage could be patched as required, stretching the useful life of the roof for a long time for little cost. Would members accept water dripping on their belongings from time to time?

Continuing with the New Guild roof, let's assume that the decision has been made to go ahead with the replacement now. A poor quality repair in the past resulted in sagging eaves (the roof overhangs) and there's a bunch of rotted wood. Does ICC pay to fix the sags to make the building look nicer? Is the rotted wood replaced to make the building functional or to restore the original craftsman style look? The cost difference before even getting the roofing on might be +/- \$10,000 depending on how the repairs are done. Next, the roofing material could be several grades of asphalt shingle, metal or tile. Would the goal be to achieve the best long-term cost/benefit ratio, the cheapest cost over the next 15 years, or to produce an iconic historical restoration? The cost difference here could be +/- \$40,000.

So what New Guild roof does ICC *need* right now? None would be a reasonable answer if saving money is the priority. So would \$60,000 for a historic Spanish terracotta tile roof if the goal of ICC's membership is to preserve the unique architectural character of their buildings. A solution in the middle isn't necessarily ideal just because it's not at either extreme in terms of cost. The need is really a function of ICC vision, mission, strategy and goals rather than an objective assessment of the current roof condition.

ICC's limited success in developing and implementing carefully considered vision, mission, strategy and goals leads to a defacto strategy. In practice, most recent projects *needed* to be done because members were upset about the existing conditions or because I suggested them as reasonable options to head off future crises, not to further any master plan. I would describe the ICC facilities strategy as reactive and inertial: reactive to problems members have with facilities, reactive in the sense that projects are devised to make use of “what ever money is left over”, and inertial in the sense that spending in the recent past largely determines spending in the future.