

171st SESSION OF THE EXECUTIVE COMMITTEE

Washington, D.C., USA, 30 September 2022

Provisional Agenda Item 5.1

CE171/6
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UPDATE ON THE MASTER CAPITAL INVESTMENT FUND AND ON THE MASTER CAPITAL INVESTMENT PLAN IMPLEMENTATION

Introduction

1. As reported in the Update on the Master Capital Investment Fund (Document CE170/24), the Pan American Sanitary Bureau (PASB or the Bureau) has initiated a partial renovation project based on the Property Condition Assessment conducted on the Pan American Health Organization (PAHO) Headquarters building between 2014 and 2015. The Assessment identified 13 recommended projects and was summarized in the Report on the Master Capital Investment Fund and Reassessment of the Real Estate Projects in the Master Capital Investment Plan (Document CE156/24, Rev.1). The latter document noted that the Headquarters building's electrical, heating, and cooling systems were past their recommended life span and needed replacement.

Background

2. The PAHO Headquarters building was constructed in 1964 and is comprised of two buildings that are linked: a ten-story tower consisting predominantly of offices and a three-story round building, referred to as the Rotunda, with conference space where meetings of the PAHO Governing Bodies are typically held. While necessary maintenance has taken place, the building systems have had limited renovations since their construction nearly 60 years ago, due to funding constraints. Specifically, if not replaced, current equipment could pose safety risks, including potentially negative health impacts and single or multiple base building system failures.

3. In mid-2021, while personnel continued emergency telework due to the COVID-19 pandemic, PASB began assessing how to prepare the Headquarters building for the eventual return to premises. Cognizant of existing challenges with the old electrical, heating, and cooling systems, the Director of PASB determined that implementing part of the improvements recommended by the 2015 Assessment would be critical for a post-pandemic return to premises. Implementation should have specific focus on the components of the renovation most directly linked to ensuring continued health, well-being, and security of personnel at the Headquarters building.

Scope and Objectives

4. Four of the projects identified in the 2015 Assessment are now being undertaken. Specific improvements in the renovation work being carried out include replacement of original electromechanical, heating, and cooling systems, as well as upgrades to the audiovisual (AV) systems. An overview of the improvements is provided below.
5. The objectives of the current renovation are to:
 - a) Upgrade equipment that is well beyond its recommended life cycle to reduce the risk of equipment failure.
 - b) Improve indoor air quality to maintain a healthy and safe work environment.
 - c) Modernize conference room technology to support hybrid meetings and conferences.

Heating, Ventilation, and Air Conditioning (HVAC) System

- a) *Replace 10 building-wide air handling units.* These units are past their recommended service life. Their replacement will improve reliability and controllability and reduce maintenance costs.
- b) *Improve air quality in floors 1 and 2 of the Rotunda.* New equipment will increase and reroute outside air ventilation throughout the building in order to eliminate stale, humid, and odorous air.

Electrical Equipment

- a) *Replace power entering the building.* This will include the feeder and gears that distribute electricity in order to ensure reliable electricity in the building.
- b) *Replace main electrical panels.* The existing branch circuits are unreliable, and a panelboard replacement has never been completed. New electrical panels will significantly enhance circuit safety and reliability and will align the electrical system with current usage.

Conference and Open Spaces on Floors 1, 2, and 10

- a) *Audiovisual.* Bring the AV system up to twenty-first-century standards for display and functionality. This will include integrating flexibility to accommodate a variety of meeting types and video streaming capabilities and to better integrate virtual attendees.
- b) *Architecture.* Increase disabled persons accessibility, reconfigure seating, add natural light, and improve acoustical separation for managing virtual and in-person meetings.

- c) *Engineering*. Replace induction units for better air flow. Replace electrical systems for improved energy usage and to support added screens to integrate hybrid users.

Process: Design Phase

6. The renovation project design phase occurred over several months, from late 2021 through mid-2022. It was led by the architectural design firm hired by PASB, with input from engineering and audiovisual firms, and working with a cross-functional team at PASB. Weekly meetings were held with representatives from the PASB Administration, General Services Operations, Procurement, Information Technology Services, and Communications departments, and the Governing Bodies Office. In addition, a cross-functional task force was established that included representatives from the PASB Department of Planning, Budget, and Evaluation, the Office of Legal Counsel, and the PAHO Staff Association.

Process: Implementation Phase

7. Weekly coordination meetings are being held between the PASB, the architecture firm, and the general contractor, during which timelines, budgets, and pending issues are discussed and resolved. The implementation phase began in August 2022 and is currently scheduled to continue through mid-2023. PASB notes that equipment required for the HVAC, electrical, and AV systems are subject to ongoing disruptions to the global supply chain.

8. Due to the age of the Headquarters building and previous asbestos abatement for floors 3 to 9, an asbestos assessment was conducted by an independent industrial hygiene company. Asbestos containing material was identified in the areas of the building to be renovated. A firm specializing in asbestos removal has been hired to undertake the asbestos abatement project, which will take place in October 2022. The project will be conducted in compliance with applicable regulations for asbestos removal.

Budget Projection

9. Total estimated costs for the project amount to US\$ 28.7 million,¹ disaggregated as shown in the table below:

Table 1. Projected Budget, as of 31 August 2022
(in US\$)

Location	Description	Total
Headquarters, Washington, DC.	Design Phase	1,816,225
	HVAC and Electrical	13,961,809
	Renovation of Floors 1, 2, and 10	5,643,936
	Conference Rooms/AV	7,315,019
Total		28,736,989

¹ Unless otherwise indicated, all monetary figures in this report are expressed in United States dollars.

Funding

10. Of the total amount of the renovation cost, \$20.4 million will be funded by the Master Capital Investment Fund (MCIF). This includes the use of \$1.0 million from the MCIF Reserve, \$2.3 million from the Budgetary Surplus, \$2.1 million that PASB is hereby requesting to be transferred from the PASB Management Information System (PMIS) surplus funds,² and \$8.3 million to be funded through other flexible funding sources under the authority of the Director, and also including funding from WHO. The table below shows the breakdown of the \$20.4 million from the MCIF.

Table 2. Funding Requirements, as of 31 August 2022
(in US\$)

Funding Source	Total
Real Estate Maintenance and Improvement Subfund	15,000,000
MCIF reserve	1,000,000
Budgetary surplus	2,300,000
PASB Management Information System (PMIS) surplus funds	2,102,000
Total MCIF Funding	20,402,000
Other sources	8,334,989
Grand Total	28,736,989

Future Headquarters Building Renovations

11. Based on recommendations of the engineering consultants, in the future, the Organization should prioritize two additional projects from the 13 projects included in the 2015 Assessment. At a total estimated cost of \$26 million, these two projects would further contribute to temperature regulation in the building and increase energy efficiency. An overview of the projects is provided below.

- a) **Window replacement (reglazing)**, estimated at \$21 million. The building has single-paned windows that are part of the original construction. Such windows are no longer used in new construction because they allow heat and cold to be readily transferred from the outside, requiring more energy to warm and cool the building. Replacing the windows with an energy-efficient double-paned system would substantially reduce energy costs, reduce water leakage, and enhance blast and physical security protections.
- b) **HVAC replacement on floors 3 to 9**, estimated at \$5 million. This equipment was replaced between 2001 and 2002, but the units are reaching the end of their recommended life cycle, resulting in less efficient operation. Replacement parts are no longer available.

² In accordance with Resolution CSP28.R16 (2012), the Executive Committee has the delegated authority to review and approve proposals for the use of PMIS surplus funds.

Conclusion

12. The Bureau is requesting \$2.1 million from the PASB Management Information System (PMIS) surplus to be transferred to the Master Capital Investment Fund's Real Estate Maintenance and Improvement Subfund to support the renovation work outlined above. This work to the 60-year-old PAHO Headquarters building is required to maintain and improve safety and health conditions for PASB personnel and guests to the building. Although the current project does not encompass all the upgrades the building needs, it focuses on those components of the 2015 Assessment that are essential, including the electrical, heating, and cooling systems. The project will also enhance PAHO Governing Body meetings by modernizing the conference rooms, including acoustics, audiovisual systems, and accessibility. Overall, the project will enable the Organization to maintain a safe work environment for years to come.

Action by the Executive Committee

13. The Executive Committee is invited to take note of this report, provide any comments it deems pertinent, and consider approving the transfer of \$2.1 million in PMIS surplus funds to the MCIF Real Estate Maintenance and Improvement Subfund, presented in the proposed resolution in the Annex to this document.

Annex

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PROPOSED RESOLUTION

USE OF THE BALANCE OF THE PASB MANAGEMENT INFORMATION SYSTEM SURPLUS

THE 171st SESSION OF THE EXECUTIVE COMMITTEE,

(PP1) Having considered the *Update on the Master Capital Investment Fund and the Master Capital Plan Implementation* (Document CE171/6);

(PP2) Recognizing that funds from the PASB Management Information System (PMIS) surplus are needed to support ongoing implementation of the Master Capital Plan;

(PP3) Noting that the Executive Committee has been delegated the authority to review and approve proposals for the use of PMIS surplus funds pursuant to Resolution CSP28.R16 (2012) of the Pan American Sanitary Conference,

RESOLVES:

(OP) To approve the allocation of US\$ 2,102,000 of the balance of the PASB Management Information System (PMIS) surplus to the Master Capital Investment Fund's Real Estate Maintenance and Improvement Subfund for use in the ongoing renovation project.
