

## **Capital Assets Strategic Planning Committee**

### **Introduction:**

The overall objective of the Capital Assets Strategic Planning Committee (the “Committee”) is to provide the governing body with tools to assist in their future capital budget planning. Our first task was to create an overall capital asset inventory, by category (land, improvements, buildings, roads/sidewalks/curbing/parking lots, vehicles, equipment, utilities and sanitary sewers, etc.) and by department. Second, to schedule out anticipated spending by asset, by year, for each of the next five years and anticipated spending as a total for the period years six through ten and perhaps beyond. Third, based upon the anticipated spending levels and patterns determined by the forecast schedule, to review and assess current capital budget planning strategies/policies/guidelines for adequacy and, if appropriate, to present alternative strategies to the governing body to consider that might improve or augment the current process of project identification and prioritization for the Borough’s Capital Budget process.

Before the Committee initiated its work, each member of the governing body was invited to have an informal, one-on-one discussion with the Committee Chair. These interviews were conducted with the Mayor and five of six council members (one being unable to participate due to illness). A standard list of topics was discussed with each elected official (SEE: Appendix). While each official had their own individual views, a common view was that Borough residents and taxpayers hold an expectation for a high level of service and quality regarding Borough assets such as roads, buildings, utilities and public safety, among others. Each official also felt that the Borough would benefit from a longer term overview of the Borough’s potential spending needs for capital projects and asset replacement.

During the interviews with the elected officials, the Committee Chair discussed a proposed approach to the Committee’s work. The proposal was to develop an overall capital asset inventory, assess each asset’s condition, determine its date of purchase or construction, its remaining useful life and to attempt to forecast capital spending needs by asset, by year for the next five years and in total for years six through ten.

### **Committee members are:**

- Bruce Galton, Chairman- Biopharmaceutical consultant
- Martin Heller, Principal of the Heller Group in Madison
- Peter Crnkovich- Investment banker
- George Helfrich- Attorney
- Councilmember Robert Catalanello

Councilmember Ben Wolkowitz attended several meetings and served as liaison. Robert Vogel, Borough Engineer, added significant support to the Committee’s work. Thanks also to James Burnet, Robert Kalafut, and Ray Codey for their time and contributions.

The Committee met 11 times between February 2014 and January 2015 (Appendix) and corresponded regularly between meetings.

**Capital Asset Matrix:**

The Borough has identified and valued approximately \$375 million of assets comprised of land, buildings, roads, electric and water utilities, sewer and storm water systems, vehicles, major equipment and miscellaneous items. Early in the process, the Committee became aware that no single, comprehensive capital asset inventory list existed. Certain assets were captured for insurance purposes, but land, utilities, roads and parking lots were inconsistently captured. The Borough Engineer’s office had schedules of roads and parking lots, and a municipal GIS which was useful in formatting the broad asset inventories. (“GIS” stands for Geographic Information System, a computer system that captures and stores spatial or geographic data.) The Borough Engineer’s office also had considerable cost data in the form of recent bid pricing or industry standard estimating guides. GIS inventories were provided to each department head so that additional details for their respective departments could be provided in a variety of formats. In order to prepare an overall inventory list, each department head was asked to review asset lists, values and replacement schedules, and the following data sources were utilized:

<u>Asset Description</u>	<u>Data Source (s)</u>
Municipal Land	Open Space Inventory, Assessor Valuations
Parks Improvements	Open Space Inventory (+ summer intern asset inventory)
Buildings	Engineer, Library, Museum, Joint Meeting Capital forecasts
Roads, Lots, Bridges	Engineer/DPW Database (+ summer intern Parking Lot data)
Storm and Sanitary Sewer	Engineer GIS Database
Major Equipment	Insurance Inventories
Electric Utility	Engineer GIS Database + Operations data
Water Utility	Engineer GIS Database + Operations data
M-C Joint Meeting	Consultant Asset Mgmt Report + Operations data (shared asset)
Miscellaneous	IT and communications inventory + Rosenet fiber installation data

Assumptions utilized in inventory or valuation of municipal assets are described in the paragraphs below. Generally, in the absence of more accurate asset-specific data, publications supporting the Government Accounting Standards Board (GASB) asset management and useful lifespan assumptions for public finance purposes have been utilized. (GASB 34 established new financial reporting requirements for state and local governments throughout the

United States.) Also, for construction cost escalation estimates, the Engineering News Record Construction Cost Index (ENR-CCI), published monthly for 20 years, and has been used as the basis for cost projections moving forward. The projections assume that there will NOT be any new federal or state statutory requirements that would necessitate significant changes to buildings or equipment, although history has shown that that may not be the case. Also, the projections assume that no new technologies will cause the assets to become obsolete- i.e., assets will be replaced with similar assets in the future. The Madison Board of Education capital forecasts are also excluded from this report as those assets are accounted for and maintained by the Board of Education under their own budgeting process, and recently addressed in their “Long Range Facilities Plan” for the school system.

**Capital Asset Inventory as of December 2014**

Based on the data capture and valuation methods described for each asset category described above, the Borough of Madison’s capital asset inventory (in \$ millions) is summarized as follows:

• <b>Land</b>	<b>\$ 141.2</b>
• <b>Buildings</b>	<b>33.1</b>
• <b>Parks Improvements</b>	<b>7.2</b>
• <b>Roads</b>	<b>21.8</b>
• <b>Parking Lots &amp; Lighting</b>	<b>1.4</b>
• <b>Minor Bridges</b>	<b>1.9</b>
• <b>Water &amp; Electric Utilities</b>	<b>116.6</b>
• <b>Storm water &amp; Sewer Systems</b>	<b>41.4</b>
• <b>MCJM (61.89%)</b>	<b>3.3</b>
• <b>Equipment &amp; Vehicles</b>	<b><u>7.3</u></b>
<b>Total</b>	<b><u>\$375.2</u></b>

The details of the individual assets that comprise each category are in the Appendix.

## **Land**

The task of compiling an inventory of all land parcels in the Borough was based upon open space inventories currently available describing fee simple ownership of individual parcels. Summer interns detailed improvements on each parcel. Land asset valuation as determined by the Tax Assessor's office was indexed to present day 2014 market value. The current 2014 market value is \$141.3 million based upon the last (revaluation) assessed value of \$134.1 million, and an escalation divider of 94.9% from the date of revaluation. The useful life assumption for public land is infinite, so there is no annualized or implied capital demand from the real estate holdings. Open space, access or utility easements existing throughout the borough are not included in the fee simple inventories, and capital demands are assumed to be insignificant. The capital forecast assumes no additions to, nor sales of, Borough-owned land.

## **Parks Improvements**

Parks Improvements represents the capital demands on the fee simple park lands included in the land inventory described above. It includes improvements upon the land and items such as sports fields, field houses, rest rooms, playground equipment, bleachers, backstops, etc. The Parks Improvements were itemized and assigned a dollar cost \$ 7.2 million based on the current 2014 estimated value of those assets, as itemized by summer interns and estimated in the engineering department. Improvements are forecast to be replaced at the end of their useful lives and thus have a significant capital demand, although this demand is often assigned a low criticality rating when compared to other assets where public health and safety considerations require more immediate focus.

## **Buildings**

All Borough-owned buildings were listed (assessed land value is \$24.0 million). Capital expenditures estimates for building improvement projects were completed several ways. If a professional cost estimate was made available in the last five years those values were utilized. Where no building improvement project had been detailed, major components were itemized, such as roofs, elevators, HVAC, etc., and apportioned an estimate of total building improvement cost. As an example, Hartley Dodge Memorial Building (c 1933) is essentially non-replaceable in the present day construction market and if it were, the cost would be in the range of \$60-100 million due to the rare materials and construction methods utilized and specialty contractors required. We therefore assumed that the renovation costs of approximately \$250 per square foot realized during the 2012 renovation project were appropriate for planning the next major renovation, and broke this work down into component areas of External Shell/roofing, Internal Shell/partitions, HVAC/heating and cooling, Electrical systems/transformers/secondary, Plumbing systems/steam, hot water, fresh water, drains, pumps, and Statutory/balance of ADA

elevator or access requirements. This process was repeated for other municipal buildings using relevant inventory, cost and replacement schedule data, as available. The Committee sought to identify major building improvement projects for the foreseeable future in addition to those identified in the routine five year capital projections used by all municipalities.

### **Roads, Parking Lots and Minor Bridges**

A complete schedule of Borough roads and parking lots was compiled by the Borough Engineer and DPW Superintendent and entitled 2015 Madison Road Program. The schedule includes each road's length and width, its condition, the year in which it is projected to be addressed, the current year and projected future year costs for milling, paving, curbing, drainage sewer improvement and sidewalks, where appropriate. The program is unlike other asset areas evaluated in this report because all projects are known for the next 20 years to a relatively high level of detail and accuracy. This work revises and updates the 1996 Road Improvement Capital Program adopted by the governing body at that time and used as the basis for funding all street improvements in the municipality for nearly 20 years. It must be noted that the annual average appropriation recommended in 1996 was \$884,525 per year, increased on average by the ENR Construction Costs Index (currently 3.2% per year on average for the last 20 years). The average appropriation in 2015 is equal to \$1.5 million based on the 1996 funding formula (very close to what is actually expended). The dedicated capital funding put in place for the past 20 years is a principal reason our roads have been maintained to a high standard (half rated excellent condition this year). This dedicated asset specific funding can be applied to other asset areas with similar positive results. It must be noted storm sewer improvements in this asset area are generally basin repair and water improvements are generally valve and hydrant repair, in particular where those principal utilities did not have a separate project identified in a separate capital projection (such as main replacement). A current 2014 value for road improvements, based on the 2015 Madison Road Program is \$ 21.8 million, with an average projected capital demand of \$1.1 million for the next 20 years. This somewhat lower prospective figure may be counterintuitive unless the road reconstruction work over the last 20 years, which included curb or sidewalk work for the majority of roads (curb and sidewalk has a longer useful life than pavement), can be factored into the reduced level of road improvement required for the next 20 years, whereas the next round of resurfacing projects may be limited to mill and overlay tasks in general. The five year time period where capital demand is at its maximum is the next five years (2015-2019) where nearly \$8M is required (on average \$1.5 million per year).

Bridges with greater than a six foot span have generally been included in county inventories, although accounted for as municipal bridges where they exist under municipal roads. A separate municipal bridge inventory is attached for informational purposes and an initial round of inspections has been completed. Other bridges maintained by the state include those required by New Jersey Highway and Transit Rail Operations.

Parking lots were likewise reviewed for size, condition and lighting. Parking lot improvement costs are valued at \$ 1.4 million in 2014 dollars, with a total annualized cost (based on useful lifespan of various components) of \$166,000. Since current parking lot conditions are generally very good, the five year demand forecasts over the next 25 years are at a maximum of \$766,420 in the 2030 - 2034 time period.

### **Collection Systems (Storm and Sanitary Sewers)**

Storm Sewers collect surface water runoff from rainfall events and direct these flows to receiving waters in four different principal watersheds as defined by the Madison Phase 2 Storm Water Management Plan. The gravity sewers comprise 35 miles of municipally-owned pipeline and are characterized by large diameters (up to six feet wide), running along topographic lines to reduce depth. The present challenges are age and lack of capacity in many parts of the collection system. The storm sewer replacement or expansion projects for watershed areas of greater than 50 acres tend to be both complex and expensive. Often lining projects and parallel sewers have cost advantages over pure replacement and expansion. Sewers that were constructed 50 or more years ago are exceedingly difficult to access or replace today due to surrounding development and multiple utility conflicts presented by more recent installation work. The inventory of the municipal storm sewer system is based exclusively upon GIS work completed over the last ten years. The database reports are detailed but still require additional design-level detail and field checking that in many cases is still lacking. The GIS nonetheless provides an excellent basis for asset management and is the way of the future for larger utility operations and maintenance concerns. The total asset value for Madison's storm sewer system is estimated to be \$19.2 million. Based upon 2014 cost estimates, bid results and various useful life assumptions applied to each component of the overall system, detailed project-specific needs were developed in the five year capital projections. An annualized cost for storm sewer maintenance can be developed from the total asset values and may provide a reasonable guide in maintaining infrastructure assets in very good condition moving forward. The annualized capital costs for the storm sewer system are anticipated to be \$469,186 in 2014 dollars, which anticipates escalation at a rate of 3.2% annually for the next 20 years. Madison does not routinely take the opportunity to implement major storm water maintenance or improvement projects at this level of funding, often due to complexity, staffing, or funding itself. However, the assessment, replacement or improvement of the major storm water infrastructure projects in the municipality must be a priority moving forward, if for no other reason than the storm intensities and related flooding have increased significantly over the last decade, and point the way to potential system failures moving forward.

Sanitary Sewers collect commercial and residential effluent from over 5000 properties within the Borough of Madison as defined by the Northeast Water Quality Management Plan. The gravity sewers and force mains comprise 57 miles of municipally-owned pipeline. The gravity sewers

are characterized by diameters less than 24 inch and often depths of greater than eight feet. The sanitary sewers are designed to handle flow rates based upon the computed maximum discharge from individual properties based upon zoning and land use classification. Approximately 40% of Madison sanitary sewers are complicated by the existence of 7 pump stations of various sizes and approximately 25 ejector pumps on individual properties. The present challenges are age and lack of capacity in many parts of the collection system, both gravity and pumped systems. However, the lack of capacity is rarely based upon sanitary sewage effluent volumes; it is based upon storm water intrusion via open joints, illegal cross connections or illegal sump pumps (that should discharge to storm sewers). These sources of infiltration and inflow are extremely costly, as they represent a significant part of our contribution to the Madison- Chatham Joint Meeting on an annual basis. The sanitary sewer lining projects and parallel sewers have cost advantages over replacement and expansion.

The inventory of the municipal sanitary sewer system is based exclusively upon GIS work completed over the last ten years. The database reports are detailed but still require additional design-level detail and field verification that in many cases is still lacking. The GIS nonetheless provides an excellent basis for asset management. The total asset value for Madison's sanitary sewer system is estimated to be \$24 million. Based upon 2014 cost estimates, bid results and various useful life assumptions applied to each component of the overall system, an annualized cost for sanitary sewer maintenance can be developed from the computed total asset values. The annualized capital costs for the storm sewer system are anticipated to be \$542,098 in 2014 dollars. More detailed project-specific needs were developed in the five year capital projections; however, the annualized costs may provide a reasonable guide in maintaining infrastructure assets in very good condition moving forward. Madison has not recently committed significant funding to either pump station improvements or sanitary sewer lining projects. The assessment, replacement or improvement of the major sanitary sewer collection infrastructure in the municipality must be a priority moving forward, if for no other reason than to reduce costs related to sewer backups during significant rainfall events and to reduce flow rates and costs at the treatment facility.

### **Electric and Water Utilities**

Madison's Municipal Electric and Water utility assets are valued at \$ 120 million in 2014 dollars with an annualized replacement cost of \$ 2.8 million, which includes programmatic wire and transformer replacement. These municipal utilities are rare in both New Jersey and the rest of the country. However, they also provide a unique opportunity to provide exceptional services and to establish stable funding sources and enhanced maintenance based upon user fees and not public tax structure. The asset valuations and implied annualized replacement costs are included in the asset inventory list in the appendix. The utilities include the cost of capital spending within their individual departmental budgets and are not part of the Borough general capital budget, but have separate electric capital and water capital funds for significant maintenance or replacement work. This Committee has captured the utilities' assets on the inventory schedule,

but the capital spending projections are excluded from the forecast schedules. National trends for water utility infrastructure are documented in reports from the American Water Works Association. Similarly American Public Power Association provides guidance on industry trends nationally. Please refer to the work of the Utility Strategic Planning Committee for the Madison utility capital projections.

### **Madison-Chatham Joint Meeting**

An Asset Management report prepared by CDM Incorporated for the Madison-Chatham Joint Meeting identified \$ 5.3 million in capital improvement costs that were necessary for the sanitary sewage treatment plant owned by both Madison Borough and Chatham Borough. Excerpts from that report are appended. Based upon the contributory average annual flow from each borough, Madison is responsible for approximately \$ 3.3 million (61.89%) of the assets and Chatham is responsible for the balance of \$ 2 million, (38.11%). Subsequently, another engineering consulting firm, Kleinfelder US, has designed a number of facility improvements identified in the original asset management study, and also prepared documents for funding assistance from the New Jersey Environment Infrastructure Trust. A bond issue has resulted due to the need to borrow funds to address the scope and cost of the work, and a payment schedule apportioned between the two Boroughs has also been anticipated. The projected capital expenditures reflect Madison's pro-rata share of the bond amortization for the funding raised to support the capital assets of this facility. Madison's share of the bond payments for improvements to the Joint Meeting's Molitor Treatment Plant is at maximum during the 2020-2024 time period (\$1,068,806 for five years) and the obligations extend to 2034.

### **Major Equipment and Vehicles**

Major equipment and vehicles inventories were compiled using departmental records and the equipment inventory detail used for insurance purposes by Morris County Joint Insurance Fund providers. Each item was recorded at its acquisition cost, which totals \$7.3 million. Useful lives were determined using industry standards, adjusted for field experience and the asset's current condition when appropriate. Equipment and vehicle replacement dates were forecast based on either useful life assumptions or department head estimates. Madison lacks an integrated purchasing and inventory system, thus major equipment listings are produced by operations or purchasing staff or reference to the original funding ordinance. In general, estimated major equipment capital need is \$2.8 million in the five year period 2015-2019.

### **Miscellaneous Capital Assets**

The municipal communications infrastructure is owned by the Borough of Madison in the form of telephone switching systems, fiber optic backbone (Rosenet), network communications equipment, servers and desktop computers. Equipment valuation at present is approximately \$100,000 and fiber optic backbone replacement costs are approximately \$1million. Depending on acquisition costs, computers, furniture, office furnishings and other miscellaneous items have



been recorded by the Borough as capital assets. The Committee has used a cut-off of \$5,000 per item for inclusion of assets. Detailed inventory and projections of this miscellaneous category was excluded from the Committee's consideration.

**Capital Needs Projections**

The Capital Improvement budget over the 10-year period 2005-2014 totaled \$10,755,000 with \$3,500,000 (approximately 33% of the total) budgeted for the year 2014. There was no consistency in the budgeted annual amounts. The highest amount was the 2014 budget of \$3.5 million and the lowest was a budget of \$zero in 2011.

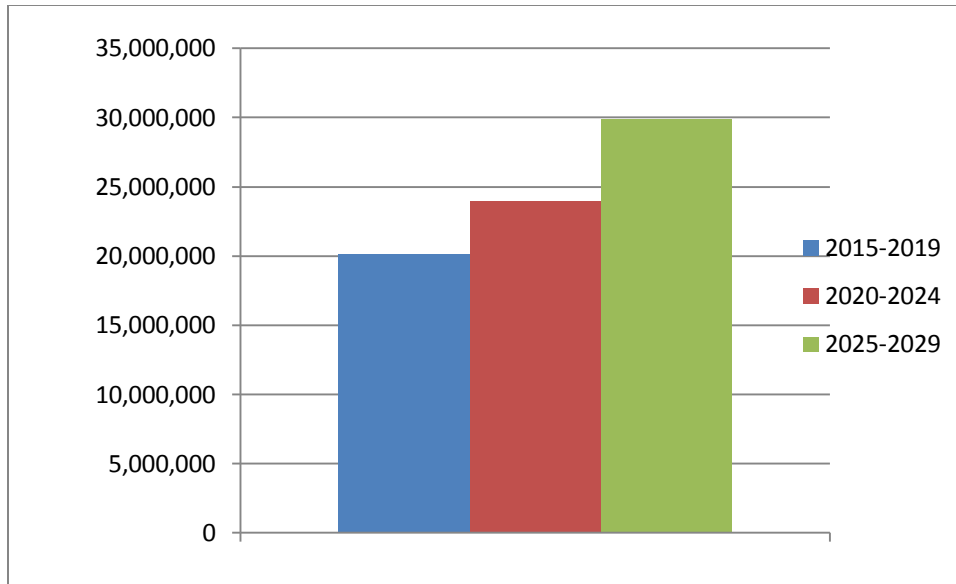
The following is the recent 10-year Capital Improvement Budget, by year:

<b>\$thousands</b>	<b>2005</b>	<b>1,000</b>
	<b>2006</b>	<b>1,505</b>
	<b>2007</b>	<b>1,500</b>
	<b>2008</b>	<b>500</b>
	<b>2009</b>	<b>500</b>
	<b>2010</b>	<b>500</b>
	<b>2011</b>	<b>0</b>
	<b>2012</b>	<b>750</b>
	<b>2013</b>	<b>1,000</b>
	<b>2014</b>	<b>3,500</b>
		<u><b>10,755</b></u>

Recently, the Budget Committee presented a recommended guideline for the Capital Improvement Budget of 8-12% of total annual appropriations. For illustrative purposes, had the mid-point (10%) of this recommended guideline range been applied over the 2005-2014 period, the Capital Improvement budget would have totaled \$24.7 million as compared to the \$10.8 million above.

The historic spending levels cited above have resulted in an inventory of equipment and vehicles that are at the end of, or past, their expected useful lives. Additionally, certain roadway projects, and upgrades to the sanitary sewer and storm water systems, have been limited.

The work done by the Capital Asset Strategic Planning Committee suggests that a much higher level of capital spending will be required in the future to maintain the Borough's asset base at the level that taxpayers expect. Specifically, for the five-year period 2015-2019, total expenditures of \$20.1 million will be required, which will grow to \$24 million in the five year period 2020-2024, and further increase to \$30 million in the five year period 2015-2029, as shown in the chart below.



While a portion of these future higher amounts are a result of expected cost inflation that has been built into the projections, the bulk of the higher amounts are simply the result of a systematic, “bottoms up” review of the expected costs to maintain the asset base, coupled with a likely period of historical under-investment in certain asset categories, such as storm water management and sanitary sewers, which are less visible to residents but which nonetheless are aging and will require significant investment to maintain and upgrade over time. Certain asset categories such as roads, on the other hand, (which are very visible to residents) have been maintained very well over time, and have benefited from a very detailed, street-specific schedule for replacements. It is also worth noting that the spending levels suggested by this analysis are very consistent with the levels one would get by applying the 8-12% of total appropriations standard suggested by the Budget Committee, which was derived completely independently of this analysis. A list of projected capital needs by asset category is detailed below.

### **2015-2019 Capital Needs**

<b><u>Asset Group</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Total</u></b>
Parks- Improvements	413	0	38	0	0	451
Roads	1298	1433	1979	1832	1440	7982
Parking Lots & Lighting	155	0	0	43	42	240
Equip & Vehicles	1985	144	213	162	307	2811
MCJM Debt	123	211	213	213	219	979
Buildings	988	260	0	272	521	2041
Storm Water System	174	484	649	725	375	2407
Minor Bridges	209	0	0	0	0	209
Sanitary Sewer System	604	604	604	580	580	2972
<b><u>Total</u></b>	<b><u>5949</u></b>	<b><u>3136</u></b>	<b><u>3696</u></b>	<b><u>3827</u></b>	<b><u>3484</u></b>	<b><u>20092</u></b>

In the immediate near term, the bottoms-up analysis shows an unusually high level of cost in 2015, driven principally by the backlog of equipment and vehicle replacements for items that have reached or exceeded their estimated useful lives. In order to alleviate this very high level of expense in the current year, the Committee recommends that an in-depth review of this asset category be undertaken, to determine whether some of these replacements can be spread over the five year period, with a significant amount likely to fall within years 2015 and 2016. Similarly, the Committee suggests reviewing whether it is possible to move \$413K in Parks Improvements to 2016 or beyond, and to determine the criticality of the Minor Bridge work scheduled for 2015 to help “smooth” the spending on an annual basis.

If the re-scheduling suggested above were to be feasible, the improvement to the 2015 projected capital needs would be significant, as shown in the chart below:

<b><u>Asset Group</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>	<b><u>Total</u></b>
Parks- Improvements	413	0	38	0	0	451
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Storm Water System	174	484	649	725	375	2407
Minor Bridges	209	0	0	0	0	209
Sanitary Sewer System	604	604	604	580	580	2972
<b>Rescheduling</b>	<b>-1622</b>	<b>913</b>	<b>350</b>	<b>75</b>	<b>284</b>	<b>0</b>
<b><u>Total</u></b>	<b><u>4327</u></b>	<b><u>4049</u></b>	<b><u>4046</u></b>	<b><u>3902</u></b>	<b><u>3768</u></b>	<b><u>20092</u></b>

## Committee Recommendations

The Committee has several recommendations to the governing body regarding the Capital Budgeting Process.

- First, the Committee recommends that the Capital Budgeting Process should include ongoing consistent investment programs for most asset categories, specifically including Storm Water and Sanitary Sewer Systems and Vehicles and Equipment. This approach would be similar to what has been done with the Roads program over the past twenty years, which has provided a high degree of visibility as to the expected expense, as well as a high level of transparency to the taxpaying public. It is the Committee's sense that the current capital budgeting process, while it does project capital needs on a rolling five-year basis, largely deals with current year requests as they are presented by the respective departments. The suggested approach would hopefully minimize large unexpected departmental requests, through actively planning for large capital needs in advance, while providing for what is expected to be a higher level of needed capital expense going forward.
- Second, the Committee recommends that a system of prioritization be established, (or the discussion of such a system at least begun) to aid in the capital spending process. It is clear that if the level of future expenditures is of the magnitude suggested by this analysis, some difficult decisions will have to be made, and not all spending requests will be met. Given the criticality of a number of systems, it is important that not just visibility to the naked eye determine the priority of expense. Suggested prioritization might be:
  - Critical: Utilities, Sanitary Sewer System
  - Very Important: Roads, Storm Water System, Public Safety, Major Equipment and Vehicles
  - Important: Buildings, Parks, Other Equipment and Vehicles
- Third, there are a number of large capital assets owned by the Borough that have very long useful lives and high replacement costs. In many cases, the replacement/ refurbishment cycle for these "extraordinary" assets is 15-30 years in the future- beyond the time frame of the explicit analysis of this Committee. Nonetheless, given the size of the costs involved, the Committee has looked at these assets, and recommends that these assets be reviewed during each budget cycle, and their forecasted replacement timeframe and cost estimates updated. While it may not be possible for current funds to be allocated toward the eventual replacement of such assets, the enhanced visibility provided by this exercise may help to avoid unpleasant surprises in the future.

In addition to the above recommendations, there are several more “tactical” suggestions that the Committee has:

- Given the significant backlog of vehicles coming up for replacement, determine if it is possible to take advantage of some sort of fleet pricing arrangement
- For similar reasons, determine if there is an advantage to leasing certain equipment vs. purchasing it
- Determine if certain infrequently used equipment could be shared with neighboring towns
- Explore the renovation of the vacant east wing of the HDM, which could possibly be leased to a third party
- Determine the feasibility of establishing a reserve for unexpected events or emergencies

**Long Term Assets 2025 and Beyond**

As mentioned above, some of the assets that the Borough owns have very long projected useful lives, and high estimated replacement costs. These assets include major elements of certain buildings (roofs, HVAC, renovations), Electric Dept. transformers, Water Dept. wells and holding tanks, Parks Improvements such as basketball courts and the turf field. A table listing some of the long term assets selected for consideration is in the Appendix and a summary is as follows:

**Select Long Term Assets**

(\$millions)	<u>2025-2029</u>	<u>2030—</u>
Subtotal Buildings	4.7	16.0
Subtotal Recreational Parks	3.7	3.6
Subtotal Minor Bridges	1.2	1.6
Subtotal Sanitary Sewer System	2.5	0
Subtotal Electric Dept.	2.2	3.2
Subtotal Water Dept.	1.5	12.0
<b>Total</b>	<b>\$ 15.80</b>	<b>\$ 36.40</b>

This table is meant solely to initiate discussion, and as indicated above, not as recommendation for building reserves or other action. However, the Committee feels that going forward a strategy needs to be developed for how such large capital costs will be addressed.

### **Suggested Next Steps for the Advisory Committee**

The work to date hopefully will provide the governing body with a landscape of what capital assets are owned by the Borough as well as the potential timing and amount of funding needed to support these assets. Our goal was to provide Council with decision-making tools as difficult budget choices are made currently, as well as for developing program strategies for the maintenance and utilization of Borough assets. Now that a vast data set has been developed, some potential next steps for this advisory committee might include:

- Analyze each asset category in more detail and apply a criticality rating to each asset/project
- Develop a rolling investment program for major systems and projects
- Identify under-utilized assets and explore potential efficiencies and opportunities for revenue generation or cost reductions
- Develop an agreed list of extraordinary long term assets and suggest possible strategies for addressing these large capital needs
- Review capital asset programs of other communities for concepts that could benefit Madison