

Financial Analysis of the Pitney Acquisition

INITIAL REPORT

What We Know

About Infrastructure Costs

- **\$ 660 K** Repairs were listed in the 2011 report
 - Varying degrees of certainty and need
 - Some minimal work has been done; ie pool removal
 - Costs of repairs and scope have increased since 2011
- **\$ 52 K** Additional tree-trimming & site work outside of scope of Dept of Public Works (DPW) were recommended
 - Required for basic level of safety, both personal and structural.
 - Needed to bring site to acceptable appearance
- **\$ 49 K** Routine 3rd party annual expenses in 2013
 - Security & fire monitoring, utilities, steward's payment, exterminating service
- **\$ 12 K** Estimated DPW labor in 2013 (120 hrs, \$ 20/hr avg)
- **\$ 6 K** 2014 YTD non-routine expenses
 - Septic pumping, locks & hardware supplies, home inspection, oil burner service, fire & CO alarms

What We Know

About Financial Costs

- **\$ 206 K** Annual debt service for the core property (exclusive of the Open Space Acquisition)
 - Debt service payments are annual, from 2014 to 2024
 - Payments increase year to year
 - Payment stated is the average over the 10 years out
- **\$ 187 K** in total interest cost paid since purchase
- **\$ 2.2 Million** remaining balance on debt
- **\$ 49 K** Annual rental income from 4 tenants

What Has Been Identified That Will Require Funding

- **Structural concerns of buildings of both historic and rental buildings**
 - Inspection by third party completed on all dwellings
 - No estimates yet available on costs to bring deficiencies to standards
- **Risk mitigation as identified by the Township's insurance manager**
 - Needed to make the property safe and compliant with insurance standards
- **Potential environmental issues on site and buildings**
 - Have all noted been remedied
 - Is there any exposure from historical use

Next Steps for Finance Committee

■ Short-term

- Estimate cost to repair crucial building areas (roofs, gutters, walls, chimneys) – 1 month
- Assess environmental issues, remediation options and costs – 2 months
- Implement all improvements as identified in risk survey
- Obtain updated estimate of property value (non- green acres) – 1 month
- Determine potential impact on tax base and debt service

■ Next 3 months

- Estimate cost to maintain property “as-is” for 5 years
- Update 2011 report
- Understand residual costs that the Township would be responsible should “Mendham Meeting Place “ be built (e.g. library)
- Determine worst case cost of having to fully fund on-going library operations in absence of 3rd party funding