

May 17th Township Committee Workshop on Glen Alpin Finances

On Wednesday, May 17, the Township Committee held a public workshop at the Town Hall on the current and forecasted project finances related to the renovation and use of the Glen Alpin House.

The workshop was centered around a presentation by Mayor Murray, who discussed the project background, options for use, and corresponding financial projections¹.

The Mayor covered the three options for use the Township is considering, which are:

- **Option A:** Complete the basic renovation, but leave the house empty.
- **Option B:** Rent out the house for weddings, meetings, and other public and private events. Renovate the house accordingly.
- **Option C:** Option B plus rent out the second floor as office space.

All options assume the Township retains ownership of and management responsibility for the property. No other options were presented, and it is not known whether the Township considered any other options for use and/or disposition of the property.

The Mayor presented three individual revenue and cost projections – one each for each Options A, B, & C (see Exhibits 1-3). All projections include the replacement of the tile roof. The Township has executed a contract for the roof replacement, estimated to cost \$800,500, with work scheduled to start shortly.

The Township has approved the issuance of \$1.8 million of municipal debt to fund project costs; however, the debt issuance projections for all three options are less than this number.

The Township's forecasts for Options B and C depend on being able to receive substantial funding from grants, donations, and the Open Spaces Trust totaling over \$3 million from 2006 through 2010. A large component of this funding (over \$1 million) is from grants from foundations (not yet identified). Open Spaces is projected to contribute \$90,000 annually². The Glen Alpin Conservancy, the private fund raising group for Glen Alpin, is projected to contribute an average of \$25,000 annually during this 5-year period.

The presentation included a projection of the annual rental revenue the Township expects to receive for each Option (see Exhibit 4). Option A would bring in no revenue, Option B is estimated to bring in \$63,500 per year, and Option C is estimated to produce \$100,000 per year. A breakdown of the corresponding operating expenses was provided as well (see Exhibit 5). The Township did not have time to explain how these estimates were derived.

Questions from the Public

The workshop was well attended by the public who filled the Township courtroom. Throughout the presentation, the Mayor and the Township Committee answered many questions from the public. Not all questions could be answered in the 50 minutes allotted for the meeting, and the Mayor promised to hold an additional project workshop meeting in the near future. There was significant discussion concerning the status of asbestos remediation (largely if not entirely

¹ For background information on Glen Alpin, see our April 2006 Thumbnail article which can be found at www.hardingcivic.org

² No more than 10% of the annual Harding Open Space Tax revenue may be spent on Historic Preservation. Open Space Tax revenues for 2006 is projected to be about \$900,000.

completed) and lead abatement (the requirements for this are not known). A paraphrase of some of the questions and answers follows:

Q: Has this “train left the station and is it too late to make changes?”

A: Yes, this project has started, but it is not too late to make changes. The Township will be making decisions along the way as new funding and/or cost information becomes available. The Township will not undertake any of the phases without understanding the applicable cost and funding details.

Q: If the Township decides to pull the plug on this project, will it be possible and how long will it take to do this?

A: Should the Township decide to do this, it will be possible, but it will take some time to wind down.

Q: Will this project use all of the annual Open Space Funds available for historic preservation?

A: Yes, for the next few years.

Q: Was there a voter referendum held to approve pursuing this project?

A: No.

Q: Will the Glen Alpin property increase the Township’s insurance premium costs?

A: No, it is not expected to impact the Township’s insurance costs.

Workshop Handout

A copy of the Township’s financial projections presented during the meeting is shown in the following exhibits. The Township noted that these financial projections are “works in progress” and will be updated as new information becomes available.

Exhibit 1: Projected Six Year Cash Flow - Glen Alpin Project - Scenario A - No Rental Income - Slowed Renovation

<u>ANNUAL INCOME</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Totals
MORRIS CO. HISTORIC PRES. TRUST	\$223,000	\$300,000	\$250,000	\$100,000	\$0	\$0	\$0	\$873,000
NEW JERSEY HISTORIC TRUST	\$50,000	\$0	\$100,000	\$0	\$50,000	\$0	\$0	\$200,000
CONTRIBUTION FROM CLUBS	\$7,500	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$17,500
GLEN ALPIN CONSERVANCY	\$12,000	\$15,000	\$20,000	\$20,000	\$20,000	\$20,000	\$16,000	\$107,000
HARDING OPEN SPACE TRUST FUND	\$15,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$75,000	\$465,000
FOUNDATIONS	\$0	\$100,000	\$100,000	\$0	\$0	\$0	\$0	\$200,000
HARDING TOWNSHIP BANS/BONDS	\$0	\$335,000	\$85,000	\$20,000	\$25,000	\$75,000	\$0	\$540,000
RENTAL INCOME	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OTHER	\$0	\$25,000	\$15,000	\$0	\$0	\$0	\$0	\$40,000
Total Projected Annual Income	\$307,500	\$870,000	\$665,000	\$230,000	\$185,000	\$185,000	\$91,000	\$2,533,500
<u>ANNUAL EXPENSES</u>								
PHASE I - ROOF REPLACEMENT		\$800,500						
PHASE II - ESTIMATE - OCCUPANCY			\$500,000					
PHASE III - ESTIMATE - EXTERIOR1				\$150,000				
PHASE IV - ESTIMATE - INTERIOR1					\$100,000			
PHASE V - COMPLETION1						\$100,000		\$1,650,500
OTHER MISC. ESTIMATES ^{1,2}	\$133,100	\$205,719	\$100,000	\$0				
INTEREST ON BOND (5.5% rate)	\$0	\$0	\$18,425	\$21,872	\$21,431	\$21,194	\$23,613	\$106,535
AMORTIZED PRINCIPAL (15 yr term)	\$0	\$0	\$22,333	\$28,000	\$29,333	\$31,000	\$36,000	\$146,666
ANNUAL OPERATING COSTS	\$13,000	\$15,000	\$20,000	\$25,000	\$27,400	\$27,400	\$27,400	\$127,800
MISCELLANEOUS	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$30,000
Total Projected Annual Expenses	\$151,100	\$1,026,219	\$665,758	\$229,872	\$183,164	\$184,594	\$92,013	\$2,532,720
<u>NET ANNUAL INCOME (LOSS)</u>	\$156,400	-\$156,219	-\$758	\$128	\$1,836	\$406	-\$1,013	
<u>CUMULATIVE NET INCOME</u>	\$156,400	\$181	-\$577	-\$449	\$1,387	\$1,793	\$780	

Exhibit 1 (continued): Scenario A.

¹ Activities will not be completed until adequate non-debt funding is available

² Other Activities Estimates	2005	2006	2007	2008
Archaeology	\$24,985	\$0	\$0	\$0
Asbestos Remediation	\$4,500	\$15,000	\$0	\$0
Assessment and Feasibility studies	\$15,930	\$3,124	\$0	\$0
Design and Engineering	\$0	\$56,700	\$0	\$0
Driveway, parking lot, exterior lighting	\$0	\$0	\$50,000	\$0
Miscellaneous Administration	\$4,000	\$0	\$0	\$0
Preservation Plan	\$14,075	\$0	\$0	\$0
Project Manager	\$6,950	\$36,850	\$0	\$0
Roof Miscellaneous	\$46,800	\$76,045	\$0	\$0
Septic design & Installation	\$8,410	\$0	\$50,000	\$0
Landscaping	<u>\$7,450</u>	<u>\$18,000</u>	<u>\$0</u>	<u>\$0</u>
Total	\$133,100	\$205,719	\$100,000	\$0

Exhibit 2: Projected Six Year Cash Flow - Glen Alpin Project - Scenario B - Meetings/Events Only

<u>ANNUAL INCOME</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Totals
MORRIS CO. HISTORIC PRES. TRUST	\$223,000	\$300,000	\$250,000	\$250,000	\$100,000	\$100,000	\$0	\$1,223,000
NEW JERSEY HISTORIC TRUST	\$50,000	\$0	\$350,000	\$0	\$50,000	\$0	\$0	\$450,000
CONTRIBUTION FROM CLUBS	\$7,500	\$5,000	\$5,000	\$0	\$5,000	\$0	\$0	\$22,500
GLEN ALPIN CONSERVANCY	\$12,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$16,000	\$153,000
HARDING OPEN SPACE TRUST FUND	\$15,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$555,000
FOUNDATIONS	\$0	\$100,000	\$200,000	\$250,000	\$250,000	\$250,000	\$0	\$1,050,000
HARDING TOWNSHIP BANS/BONDS	\$0	\$460,000	\$545,000	\$440,000	\$70,000	\$195,000	\$85,000	\$1,795,000
RENTAL INCOME	\$0	\$0	\$0	\$52,125	\$69,500	\$69,500	\$69,500	\$260,625
OTHER	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$10,000	\$135,000
Total Projected Annual Income	\$307,500	\$995,000	\$1,485,000	\$1,132,125	\$689,500	\$764,500	\$270,500	\$5,644,125
<u>ANNUAL EXPENSES</u>								
PHASE I - ROOF REPLACEMENT		\$800,500						
PHASE II - ESTIMATE - OCCUPANCY			\$1,151,619					
PHASE III - ESTIMATE - EXTERIOR ¹				\$830,991				
PHASE IV - ESTIMATE - INTERIOR ¹					\$439,463			
PHASE V - COMPLETION ¹						\$510,000		\$3,732,573
OTHER MISC. ESTIMATES ^{1,2}	\$133,100	\$240,319	\$338,100	\$106,400	\$0	\$0	\$0	\$817,919
INTEREST ON BOND (5.5% rate)	\$0	\$0	\$27,600	\$58,460	\$80,840	\$79,260	\$84,900	\$331,060
AMORTIZED PRINCIPAL (15 yr term)	\$0	\$0	\$30,667	\$67,000	\$96,333	\$101,000	\$114,000	\$409,000
ANNUAL OPERATING COSTS	\$13,000	\$15,000	\$20,000	\$67,200	\$67,200	\$67,200	\$67,200	\$316,800
MISCELLANEOUS	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$35,000
Total Projected Annual Expenses	\$151,100	\$1,060,819	\$1,572,986	\$1,135,051	\$688,836	\$762,460	\$271,100	\$5,642,352
<u>NET ANNUAL INCOME (LOSS)</u>	\$156,400	-\$65,819	-\$87,986	-\$2,926	\$664	\$2,040	-\$600	
<u>CUMULATIVE NET INCOME</u>	\$156,400	\$90,581	\$2,595	-\$331	\$333	\$2,373	\$1,773	

Exhibit 2 (continued): Scenario B.

¹ Some activities in these phases may not be completed unless adequate funding is available

² Other Activities Estimates	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Archaeology	\$24,985	\$0	\$0	\$0
Asbestos Remediation	\$4,500	\$49,600	\$0	\$0
Assessment and Feasibility studies	\$15,930	\$3,124	\$0	\$0
Design and Engineering	\$0	\$56,700	\$56,700	\$0
Driveway, parking lot, exterior lighting	\$0	\$0	\$125,000	\$0
Miscellaneous Administration	\$4,000	\$0	\$0	\$0
Preservation Plan	\$14,075	\$0	\$0	\$0
Project Manager	\$6,950	\$36,850	\$106,400	\$106,400
Roof Miscellaneous	\$46,800	\$76,045	\$0	\$0
Septic design & Installation	\$8,410	\$0	\$50,000	\$0
Landscaping	<u>\$7,450</u>	<u>\$18,000</u>	<u>\$0</u>	<u>\$0</u>
Total	\$133,100	\$240,319	\$338,100	\$106,400

Exhibit 3: Projected Six Year Cash Flow - Glen Alpin Project - Scenario C - Meetings, Events, Light Office

<u>ANNUAL INCOME</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	Totals
MORRIS CO. HISTORIC PRES. TRUST	\$223,000	\$300,000	\$250,000	\$250,000	\$100,000	\$100,000	\$0	\$1,223,000
NEW JERSEY HISTORIC TRUST	\$50,000	\$0	\$350,000	\$0	\$50,000	\$0	\$0	\$450,000
CONTRIBUTION FROM CLUBS	\$7,500	\$5,000	\$5,000	\$0	\$5,000	\$0	\$0	\$22,500
GLEN ALPIN CONSERVANCY	\$12,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$15,000	\$152,000
HARDING OPEN SPACE TRUST FUND	\$15,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$555,000
FOUNDATIONS	\$0	\$100,000	\$200,000	\$250,000	\$250,000	\$250,000	\$0	\$1,050,000
HARDING TOWNSHIP BANS/BONDS	\$0	\$370,000	\$620,000	\$425,000	\$40,000	\$155,000	\$50,000	\$1,660,000
RENTAL INCOME	\$0	\$0	\$0	\$79,500	\$106,000	\$106,000	\$106,000	\$397,500
OTHER	\$0	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$10,000	\$135,000
Total Projected Annual Income	\$307,500	\$905,000	\$1,560,000	\$1,144,500	\$696,000	\$761,000	\$271,000	\$5,645,000
<u>ANNUAL EXPENSES</u>								
PHASE I - ROOF REPLACEMENT		\$800,500						
PHASE II - ESTIMATE - OCCUPANCY			\$1,151,619					
PHASE III - ESTIMATE - EXTERIOR ¹				\$830,991				
PHASE IV - ESTIMATE - INTERIOR ¹					\$439,463			
PHASE V - COMPLETION ¹						\$510,000		\$3,732,573
OTHER MISCELLANEOUS ESTIMATES ^{1,2}	\$133,100	\$240,319	\$338,100	\$106,400	\$0	\$0	\$0	\$817,919
INTEREST ON BOND (5.5% rate)	\$0	\$0	\$20,350	\$53,093	\$72,839	\$69,850	\$73,039	\$289,171
AMORTIZED PRINCIPAL (15 yr term)	\$0	\$0	\$24,667	\$66,000	\$94,333	\$97,000	\$107,333	\$389,333
ANNUAL OPERATING COSTS	\$13,000	\$15,000	\$20,000	\$82,980	\$82,980	\$82,980	\$82,980	\$379,920
MISCELLANEOUS	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$35,000
Total Projected Annual Expenses	\$151,100	\$1,060,819	\$1,559,736	\$1,144,464	\$694,615	\$764,830	\$268,352	\$5,643,916
<u>NET ANNUAL INCOME (LOSS)</u>	\$156,400	-\$155,819	\$264	\$36	\$1,385	-\$3,830	\$2,648	
<u>CUMULATIVE NET INCOME</u>	\$156,400	\$581	\$845	\$881	\$2,266	-\$1,564	\$1,084	

Exhibit 3 (continued): Scenario C.

¹ Some activities in these phases may not be completed unless adequate funding is available

² Other Miscellaneous Activities Estimates	2005	2006	2007	2008
Archaeology	\$24,985	\$0	\$0	\$0
Asbestos Remediation	\$4,500	\$49,600	\$0	\$0
Assessment and Feasibility studies	\$15,930	\$3,124	\$0	\$0
Design and Engineering	\$0	\$56,700	\$56,700	\$0
Driveway, parking lot, exterior lighting	\$0	\$0	\$125,000	\$0
Miscellaneous Administration	\$4,000	\$0	\$0	\$0
Preservation Plan	\$14,075	\$0	\$0	\$0
Project Manager	\$6,950	\$36,850	\$106,400	\$106,400
Roof Miscellaneous	\$46,800	\$76,045	\$0	\$0
Septic design & Installation	\$8,410	\$0	\$50,000	\$0
Landscaping	<u>\$7,450</u>	<u>\$18,000</u>	<u>\$0</u>	<u>\$0</u>
Total	\$133,100	\$240,319	\$338,100	\$106,400

Exhibit 4: Projected Annual Income

Income	No.	Amount	Annual A	Annual B	Annual C
Weddings	20	\$2,500		\$50,000	\$50,000
Meetings	20	\$500		\$10,000	\$10,000
Other Events				\$2,500	\$2,500
Other Income				\$1,000	
Office Income (2nd Fl +)	2,500sf	\$15.sf Gross			\$37,500
Caretaker Attributed Value		\$500 mo.	\$6,000	\$6,000	\$6,000
Total Estimated Annual Income			\$6,000	\$69,500	\$106,000
Caretaker value/Month	\$ 500				
Floor Area	2500	sq ft			
Rental per sf	\$ 15				

Exhibit 5: Projected Operating Expenses

(Does not include debt service costs)

Expenses	Empty (A)		Meets/Events (B)		Meets/Events/Office (C)	
	Month	Annual	Month	Annual	Month	Annual
Management						
Admin. & Management	\$400	\$4,800	\$2,000	\$24,000	\$2,167	\$26,000
Caretaker Expenses	\$0	\$0	\$100	\$1,200	\$100	\$1,200
Office Expense	\$0	\$0	\$250	\$3,000	\$333	\$4,000
Insurance	\$0	\$0	\$0	\$0	\$0	\$0
Heat	\$250	\$3,000	\$500	\$6,000	\$642	\$7,700
Electricity	\$150	\$1,800	\$250	\$3,000	\$375	\$4,500
Water	\$50	\$600	\$100	\$1,200	\$167	\$2,000
Septic	\$10	\$120	\$25	\$300	\$25	\$300
Cleaning	\$83	\$1,000	\$250	\$3,000	\$333	\$4,000
Grass Cutting	\$500	\$6,000	\$500	\$6,000	\$500	\$6,000
Snow Plowing	\$150	\$1,800	\$150	\$1,800	\$150	\$1,800
Repairs, Maintenance, Replace	\$400	\$4,800	\$550	\$6,600	\$683	\$8,200
Professional Fees						
Accounting	\$200	\$2,400	\$250	\$3,000	\$333	\$4,000
Advertising	\$0	\$0	\$200	\$2,400	\$250	\$3,000
Security/Alarm	\$50	\$600	\$50	\$600	\$57	\$680
Waste Disposal	\$0	\$0	\$90	\$1,080	\$167	\$2,000
Supplies	\$50	\$600	\$300	\$3,600	\$300	\$3,600
Miscellaneous	\$50	\$600	\$100	\$1,200	\$333	\$4,000
	\$2,343	\$28,120	\$5,665	\$67,980	\$6,915	\$82,980