

9.0 Capital Asset/Equipment Replacement Program Philosophy

Capital Assets have been defined by the Wheaton Park District as items with a cost of more than \$5,000 and a useful life of more than 1 year. Equipment that meets this definition is defined according to the same terms, but has been tracked separately since they are not associated with a specific location. Items that are considered a part of the routine maintenance of an item or asset are excluded.

These definitions are important because they form the basic building blocks for the Capital Asset Replacement Program. Over time the definition has and will continue to change, however the philosophy of the program remains the same – to ensure that we continue to maintain the appropriate level of funds to maintain our existing infrastructure.

Background

In FY 1993/1994, the Wheaton Park Board of Commissioners approved the first transfer of \$100,000 from the recreation fund to what was then referred to as the Building Replacement Fund (BRF). The intent at that time was to accumulate reserves for the eventual replacement of the District's building structures, specifically the Community Center and Rice Pool. Prior to this, the District did maintain the equipment replacement fund for vehicles and equipment that are typically driven such as mowers and tractors. As mentioned, this list continues to be maintained today.

Our program was modeled after one developed and used by the Glenview Park District. Additional information on their system is attached. The basic intent of the program is to calculate a replacement year and cost for a given item based on the original date of purchase, estimated useful life, and current cost. An inflation factor is built in to estimate the increase in replacement cost over time. This allows a schedule to be developed that provides what items may be up for replacement over a given time period and what it might cost to fund these replacements.

The schedules are developed for planning purposes only. The intention is not to replace items just because they are scheduled to be replaced. On an annual basis, staff reviews these schedules and revises and updates them as necessary. Assets are not replaced until it is determined that it is necessary. This program merely provides a tool to ensure that the appropriate funds are available for replacement when it is necessary.

Program Details

Assets have several items that are recorded about them:

Asset Number – Codes and numbers were assigned when the program was initiated, however the asset numbers do not currently serve any purpose to the district.

Description – Brief description of the asset.

Department – What department the asset is allocated to. This may change over time as the responsibility for different assets is shifted. The following categories are currently assigned:

- Administration
- Cosley Zoo
- Golf
- Parks
- Pools
- Recreation

Classification – Each item is assigned a classification to aid in categorizing the different types of assets.

Location – The asset's fixed location is also recorded as the specific park location, the facility the asset is within, or district wide in some instances.

Original Year Purchased – To the best of our ability, this is recorded accurately. There are some items that we do not have records for and predate institutional knowledge. Estimates have been made in these situations.

Initial Cost – If records are available, the original cost is included. Otherwise the cost has been estimated.

Life Span – This is an estimation of how many years it will be before the asset needs to be replaced. It is important to stress again, that this is simply a tool for budgeting and assessing our needs rather than a specific reason to replace and item. Life spans are typically assigned based on the classification of asset and the district history or industry standards on life span. Some examples included:

- Asphalt – 15 years
- Buildings – 50 years
- HVAC – 10/20 years
- Fencing – 20 years
- Flooring – 10 years
- Irrigation Equipment – 20 years
- Lighting – 40/60 years
- Playground Equipment – 17 years
- Roofs – 20 years
- Tennis Courts – 10 years for color coating, 20 years for replacement

Current Replacement Year – This is calculated by adding the original year purchased (or last replacement date) and the life span.

Current Replacement Cost- This calculation is a little more complex. The original program calculated this with a straight 4% per year increase. For most items, this is a relatively safe assumption. However, we have begun to look into different ways of calculating replacement cost by looking at historical consumer price index increases, in addition to further categorizing assets into categories that may indicate different rates of inflation. An example of this is anything that is directly related to the cost of petroleum such as asphalt, roofing materials, or plastics. In recent years, this has been much greater than the rate of inflation. These formulas are still being refined, but they appear to give more accurate predictions of cost than the original straight line appreciation.

Program Constraints and Limitations

The original program was set up to solely track our investment in buildings and set aside funds for their eventual replacement. Early on, the decision was made to expand the program to include other assets in order to take a more comprehensive approach in regards to the district's capital replacements.

Keeping this system up to date and ensuring that new items are incorporated into the system has proven difficult due to staff and technological issues as well as the recent improvements throughout the district. The original system was developed by a finance director who left the district many years ago. The program was maintained with an older computer program that has become obsolete and resulted in the program needing to be recreated from reports that had been printed out.

Significant effort has been made in the past year to convert the program to an MS Excel format that will prevent obsolescence. We have also attempted to update the program to include all current assets. This was a large task given the number of facilities that have been constructed in the last 10 years. The most recent example is Arrowhead Golf Club. Essentially we have a completely new facility between the course renovations in the 1990's, the maintenance building addition in 2002 and the recent clubhouse replacement. Other examples include: the new Park Services Center, Clocktower Commons, Toohey Park, Cosley's gift shop and staff parking improvements. While it is felt that all capital assets are currently included in the program, there are significant gaps in the initial cost of some items, the life cycles, and the inflationary factors that continue to be refined.

Reporting Available

The categories used above allow the data to be categorized in a variety of ways. Assets can be sorted to determine questions such as the investment we have made in asphalt paths, tennis courts, playgrounds, or roofs. They can also be separated by facility to determine our investments in a given location. More

importantly, we can begin to forecast what the given replacement value of assets will be in a given year.

Traditionally, we have looked at the schedule for the current year to determine the immediate replacement needs. This is slightly more complicated than it would appear, because we are actually looking at several years to determine if items may have been deferred from previous years or if they need to be moved up on the schedule due to wear.

This information is typically calculated for the items that are scheduled to be replaced in a given year. Since the inflation is calculated on a yearly basis, it is also possible to assess the overall replacement cost for all items at a given time. While government reporting standards require that an item's depreciation is calculated, it is also important to know the expected funds that will be necessary to maintain and replace what we currently have.

2010-2014 Summary

	2010	2011	2012	2013	2014
Total	\$6,479,067	\$3,847,184	\$4,864,004	\$2,827,187	\$1,577,367

Conclusion

The District is very fortunate to have a Capital Asset Replacement program. Far too often, focus is placed on creating new facilities while the existing facilities are neglected and fall into disrepair. As the district ages and the scope of repairs and replacements grow, it becomes more difficult to adequately fund such a program. We have already reached the point where it is necessary to defer some of the higher cost items. This can only be done for so long before this neglect compounds into other areas and ultimately affects the quality that our residents have come to expect. To borrow a commonly used phrase – pay now, or pay (more) later.