



# RADNOR TOWNSHIP

CAPITAL PLAN DISCUSSION | NOVEMBER 6, 2017



# AGENDA

1. Capital Plan Overview – As Presented in Township Manager Recommended Budget
  - How the Capital Plan fits within the overall budget
2. Review of Current Funding Situation
3. Review of Funding Gap
4. Introduction of a Funding Proposal
5. Timing and Next Steps



# FIVE YEAR CAPITAL PLAN LAYOUT (CONT'D)

Then, for each category, a summary table identifies the specific projects

Then, for each item in the Plan, there is a one page project summary page

Different formats for Park Plan and Stormwater Plan since they have separate resident committees providing input

Ridgely Township, PA  
Capital Projects and Infrastructure  
As Amended with the 2018 Budget

Expenditure	COST					
	2018	2019	2020	2021	2022	2023
<b>Road &amp; Bridge Construction - Liquid Fuels</b>						
Road Resurfacing Funding	774,082	795,909	818,282	864,719	888,812	911,000
<b>Total - Road &amp; Bridge Construction</b>	<b>\$ 774,082</b>	<b>\$ 795,909</b>	<b>\$ 818,282</b>	<b>\$ 864,719</b>	<b>\$ 888,812</b>	<b>\$ 911,000</b>

Road & Bridge Construction						
Road Resurfacing Funding - Township Portion (new)	225,918	204,091	181,718	135,281	111,188	89,000
Bridge Repairs per Inspection Reports		50,000		50,000		50,000
Street Light Fixture and Pole Replacement Program		15,000	15,000	15,000	15,000	15,000
Concrete Road Tunnel Lighting	60,000					
Interchange Overpass Structure			Overpass Rehabilitation Funded			
Interchange Overpass Painting			Gateway Enhancement Funded			
KOP AMTRAK Bridge Overhead Warning System						
<b>Total - Road &amp; Bridge Construction</b>	<b>\$ 285,918</b>	<b>\$ 269,091</b>	<b>\$ 196,718</b>	<b>\$ 200,281</b>	<b>\$ 126,188</b>	<b>\$ 254,000</b>

Board of Commissioner Requests						
Commissioner Contingency Projects	150,000	150,000	150,000	150,000	150,000	150,000
South Rhine Avenue Sidewalk Project, Comm. Schneider	30,000	150,000				
Brooke Street Sidewalk Project, Comm. Nagle	65,000	150,000				
Edmore Chester K of P Walk, Comm. Stocker	150,000					
Mansfield Road Pedestrian Bridge, Comm. Bookler	500,000					
RTSD and Bandyvine Office	(200,000)					
<b>Total Board of Commissioner Requests</b>	<b>\$ 485,000</b>	<b>\$ 450,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>

## Annual Road Resurfacing Program

### Overview:

This is the Township's annual road resurfacing program. Depending on the amount of funding from the State Liquid Fuel program and any additional amount authorized by the Board of Commissioners, the Township will bid out the resurfacing program. Historical pricing suggests that we should anticipate a cost of \$80/ton in place. At that rate would cost \$250,000 to mill and resurface 1 double lane mile of road. The township has 80.37 double lane miles. Staff recommendation is to maintain a 12 year resurfacing cycle, which would require annual funding of approximately \$1,000,000 (at today's prices).



### Institution | Bennett Park:

Each year staff prepares a list of roads to be brought before the Board of Commissioners. The roads are chosen based on condition, age, utility cuts, and amount of traffic. The annual superpave resurfacing contract sealed bid is based on the roads approved by the Commissioners.

### Current Status:

The Township is required to spend down the SLT annually on qualifying projects. Therefore, the decision points for the Township include (a) whether to include the additional funding to keep a 12-year cycle, or remain at an approximate 18-year cycle, and (b) what roads to resurface.

If the Township wishes to not include additional funding for the roads, the lines of plan table below will be amended to eliminate the township portion. At the same time, the roads identified in the budget table below will be amended to remove the unfunded roads from the bid.

### Financial Plan

Project Sources	2018	2019	2020	2021	2022	2023
State Liquid Fuel Funding	774,082	795,909	818,282	864,719	888,812	911,000
Township Tax Sources	225,918	204,091	181,718	135,281	111,188	89,000
<b>Total Funding Sources</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

Project Uses	2018	2019	2020	2021	2022	2023
Planning   Engineering   Legal						
Construction   Township Portion	774,082	795,909	818,282	864,719	888,812	911,000
Construction   State Portion	225,918	204,091	181,718	135,281	111,188	89,000
Inspection	-	-	-	-	-	-
Contingency	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total Funding Uses</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>1,000,000</b>

(NOTE: Sources must equal Uses)

### Bishop Richard Allen Park

Source: To Be Determined  
Subtotal of Sources  
Replacement Items:  
Asphalt/Gravel/Grass Court  
Sign Replacement  
Hazardous Waste  
Subtotal of Replacement Items  
New Items:  
To Be Determined  
Subtotal of New Items  
Total Bishop Richard Allen Park

### Bo Conner Park

Source: Park Improvement Bonds, Series 2015  
Subtotal of Sources  
Replacement Items:  
Hazardous Waste  
Resurfacing/Asphalt Court  
Sign Replacement  
Sidewalk, Acoustic Wall  
Fencing  
Bench/Trashcans  
Subtotal of Replacement Items  
New Items:  
Landscaping  
Subtotal of New Items  
Total Bo Conner Park

### Capoli Driving Range

Source: Park Improvement Bonds, Series 2015  
Subtotal of Sources  
Replacement Items:  
Sign Replacement  
Subtotal of Replacement Items  
New Items:  
Parking Lot Paving  
Potential Athletic Field Development  
Trail Connection from Bandyvine Road  
Subtotal of New Items  
Total Capoli Driving Range

Ridgely Township, PA  
Capital Projects and Infrastructure  
As Amended with the 2018 Budget

	2018	2019	2020	2021	2022	2023
<b>Acct 0.2</b>						
Source:						
To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal of Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Items:						
Asphalt/Gravel/Grass Court					15,000	15,000
Sign Replacement						
Hazardous Waste						
Subtotal of Replacement Items	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 15,000
New Items:						
To Be Determined	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal of New Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Bishop Richard Allen Park</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>
<b>Acct 0.4</b>						
Source:						
Park Improvement Bonds, Series 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal of Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Items:						
Hazardous Waste					450,000	15,000
Resurfacing/Asphalt Court						15,000
Sign Replacement						
Sidewalk, Acoustic Wall						
Fencing						
Bench/Trashcans						
Subtotal of Replacement Items	\$ -	\$ -	\$ -	\$ -	\$ 465,000	\$ 30,000
New Items:						
Landscaping					15,000	
Subtotal of New Items	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -
Total Bo Conner Park	\$ -	\$ -	\$ -	\$ -	\$ 480,000	\$ 30,000
<b>Acct 22.5</b>						
Source:						
Park Improvement Bonds, Series 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal of Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Replacement Items:						
Sign Replacement						15,000
Subtotal of Replacement Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
New Items:						
Parking Lot Paving						
Potential Athletic Field Development						
Trail Connection from Bandyvine Road						
Subtotal of New Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Capoli Driving Range</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,000</b>

# FIVE YEAR CAPITAL PLAN LAYOUT (CONT'D)

- Incorporating the Capital Plan to the overall Budget
  - The Sources and Uses bottom line
  - Calculates the amount needed to fund the projects identified
  - The calculated amount flows to the General Fund as a “capital transfer” which pulls general resources from the General Fund and deposits them into the Capital Fund
  - In order to proceed with the projects identified in the Capital Plan, sufficient General Fund transfers are required.

Grand Total of Capital Items	\$ 1,052,443	\$ 1,728,686	\$ 774,082	\$ 3,601,524	\$ -	\$ -	\$ 7,156,735
Ending Cash Balance before Tax Funding	\$ -	\$ -	\$ -	\$ (2,557,449)	\$ -	\$ -	\$ (787,532)
Tax Funding Need to Fund Program	-	-	-	2,807,449	-	-	2,807,449
Ending Cash Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,019,917

Radnor Township, PA  
General Fund (#01) Budget Worksheet

Account Description	Actual			BOC Original Budget 2017	BOC Amended Budget 2017	Full Year Forecast		Township Manager Recommended Budget	
	2014	2015	2016			2017	%Δ	2018	%Δ
<b>DEBT SERVICE</b>									
Service Charges	3,817	3,424	4,101	-	-	3,179	-3%	-	-100%
DEBT SERVICE	\$ 3,817	\$ 3,424	\$ 4,101	\$ -	\$ -	\$ 3,179		\$ -	
\$Δ	\$ 468	\$ (393)	\$ 678	\$ (4,101)	\$ (4,101)	\$ (923)		\$ (3,179)	
%Δ	14%	-10%	20%	-100%	-100%	-22%		-100%	
<b>TRANSFER TO OTHER FUNDS</b>									
Capital Improvement	-	325,000	-	-	-	-	n/a	-	n/a
Capital Improvement (Prog. Funding)	-	687,125	-	1,221,324	1,221,324	2,839,060	157%	1,573,917	127%
Capital Improvement (Excess FB)	1,000,000	-	1,851,900	-	-	-	-100%	-	n/a
OPEB Liability	200,000	459,209	659,209	859,209	859,209	859,209	30%	1,059,209	23%
Park & Open Space Fund	190,958	-	400,000	-	-	-	-100%	-	n/a
Willows	-	65,000	15,000	-	-	70,000	367%	-	-100%
Shade Tree Fund	25,000	25,000	-	25,000	25,000	25,000	n/a	25,000	0%
K9 Fund	-	-	9,100	7,500	7,500	7,500	-18%	-	-100%
Debt Service	2,673,000	2,924,000	2,997,000	2,991,146	2,991,146	2,991,146	0%	3,090,520	3%
<b>TRANSFER TO OTHER FUNDS</b>	\$ 4,088,958	\$ 4,485,334	\$ 5,932,209	\$ 5,104,178	\$ 5,104,178	\$ 6,791,915		\$ 5,748,646	
\$Δ	\$ (3,308,873)	\$ 396,376	\$ 1,446,875	\$ (828,031)	\$ (838,031)	\$ 859,706		\$ (1,043,270)	
%Δ	-45%	10%	32%	-14%	-14%	14%		-15%	

# REVIEW OF CURRENT FUNDING SITUATION

## Pay as you Go Portion of the Capital Plan

- Includes short-term assets, moving fleet, departmental capital and IT
- Since 2011, the Township has benefited from business tax and permitting revenue growth
- A portion of those increased revenues have been allocated to fund departmental capital (Pay as you go)
- Prior to 2010, the Township utilized proceeds from large borrowing transactions to fund all capital, including short-term.
- GFOA Best Practice, CBFAC, CARFAC and Administration all recommend to utilize current resources to fund short-term capital purchases, or match financing length with useful life of asset. That has been accomplished.

<b>Sources:</b>	<b>2018 Budget</b>
Verizon PEG Contributions	\$170,000
Sale of Property and Equipment	20,000
Interest Income	6,000
General Fund Transfers   Included in TMRCB	1,573,917
<b>Total Sources</b>	<b>1,769,917</b>

<b>Uses:</b>	
Police	391,900
Public Works   Solid Waste Division	259,901
Public Works   Infrastructure / Highway Division	301,018
Public Works   Park Maintenance Division	245,312
Information Technology	95,050
PEG (amount includes \$136,000 of contributions to RS21)	193,700
Fire Service Equipment Contributions	283,036
<b>Total Uses</b>	<b>1,769,917</b>

## REVIEW OF CURRENT FUNDING SITUATION (CONT'D)

### Pay as you Use Portion of the Capital Plan

- Includes longer-term assets, such as infrastructure, facilities and grounds, signals, and certain park improvements.
- As noted, the Township funded these capital needs with long-term bonds, usually issued every couple of years (going back to the early 1990's). The practice stopped after 2007 for a multitude of reasons
- Given the size of these improvements, current resources are not forecasted to be sufficient to fund these projects for the foreseeable future.
- As a result, some funding plan will need to be determined.

<b>Recommended Funding   Possible sources for funding: 2017 Excess General Fund Balance and/or Planned General Fund Transfers</b>	<b>2018 Amount</b>
Road Resurfacing Supplement to Liquid Fuels	\$225,918
Grant Applied Projects (Commitments made)	225,189
Parking Lots (Funded through parking revenue)	38,000
Facilities (Necessary to keep facilities functioning)	266,500
<b>Subtotal of Recommended Funding</b>	<b>753,607</b>
<b>Additional Projects in Plan that would require additional funding</b>	<b>2018 Amount</b>
Park Improvements (non-bond funds)	183,000
Board of Commissioner Requested Projects	495,000
Non-Grant Signal Improvement Projects	340,000
Non-Grant Capital Project / Infrastructure Projects	60,000
Non-Bond Park Improvement Projects	-
<b>Subtotal of Additional 2018 Project Needing Funding</b>	<b>1,078,000</b>

## REVIEW OF CURRENT FUNDING GAP

### Pay as you Use Portion of the Capital Plan

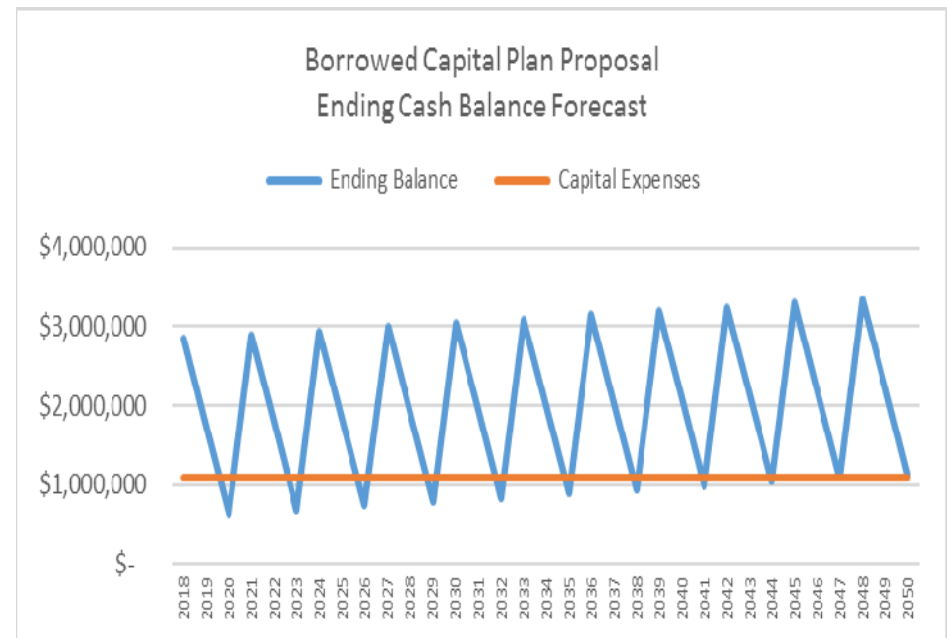
- The updated five year plan includes the following totals needing funding
- Specific Projects are identified in the Capital Plan

Pay-As-You-Use:	2018	2019	2020	2021	2022	2023
Road & Bridge	285,918	269,091	196,718	200,281	126,188	154,000
BOC Projects	495,000	430,000	150,000	150,000	150,000	150,000
Traffic Control	563,189	385,078	799,000	729,000	655,000	225,000
Building & Grounds	266,500	266,000	260,000	150,000	275,000	60,000
Parking Lots	38,000	300,000	20,000	-	26,000	-
Park Improvements	183,000	-	1,293,000	-	-	-
<b>Total PAYU Plan</b>	<b>1,831,607</b>	<b>1,650,169</b>	<b>2,718,718</b>	<b>1,229,281</b>	<b>1,232,188</b>	<b>589,000</b>



# INTRODUCTION OF A FUNDING PROPOSAL

- Borrow roughly \$3.5 million every three years
  - 20 Year bonds;
  - Fixed Interest Rates;
- Generate roughly \$3.35 million to fund the Pay as you Use Capital Program for three years
- Results in annual capital of \$1.1 million
- Forecasted through 2050, the capital plan funding might look like this:

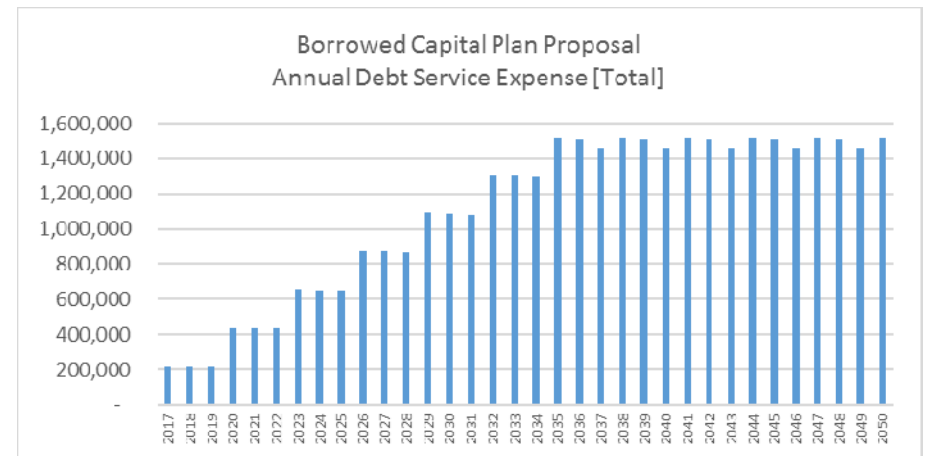
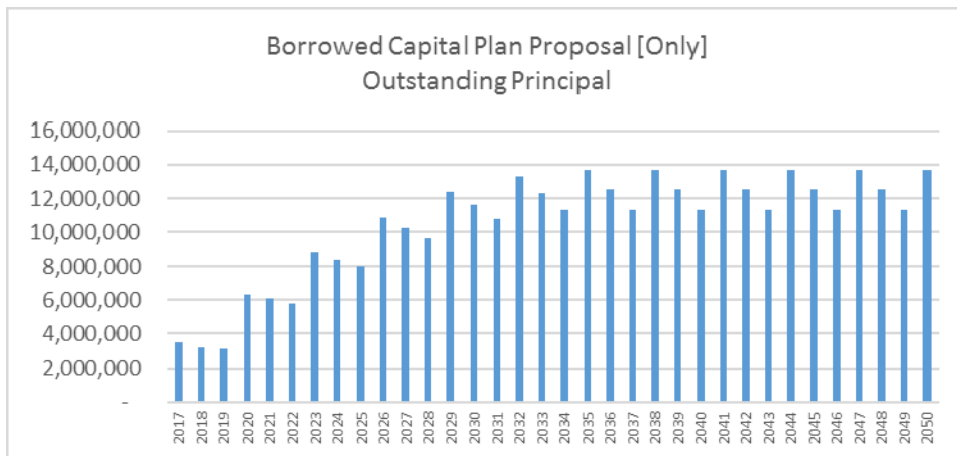


## INTRODUCTION OF A FUNDING PROPOSAL (CONT'D)

- The \$3.5 Million was chosen for a reason:
  - The annual debt service expense fits within the current debt service expense totals
  - The program: We borrow small increments, pay those down, and then refill the bucket
  - The result: The added capital funds will not add to current township expenses; therefore, current tax rates should be sufficient to fund the program for the foreseeable future.

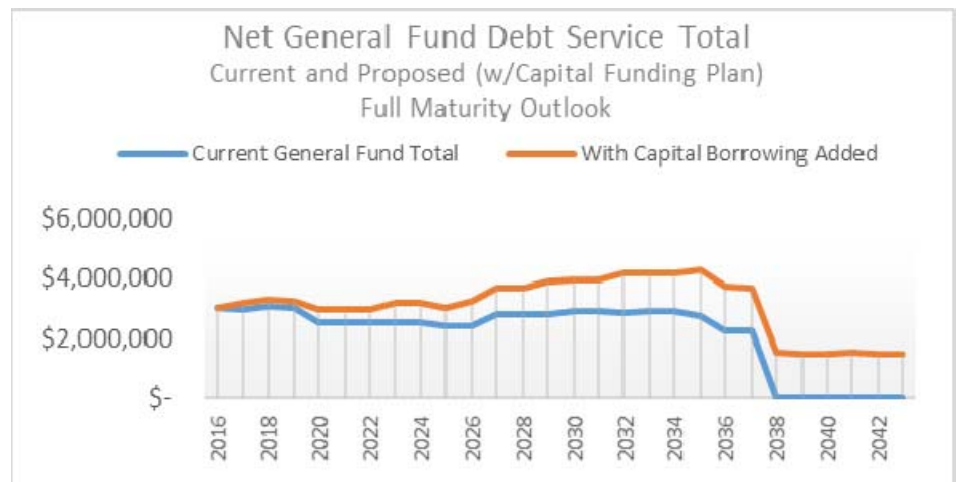
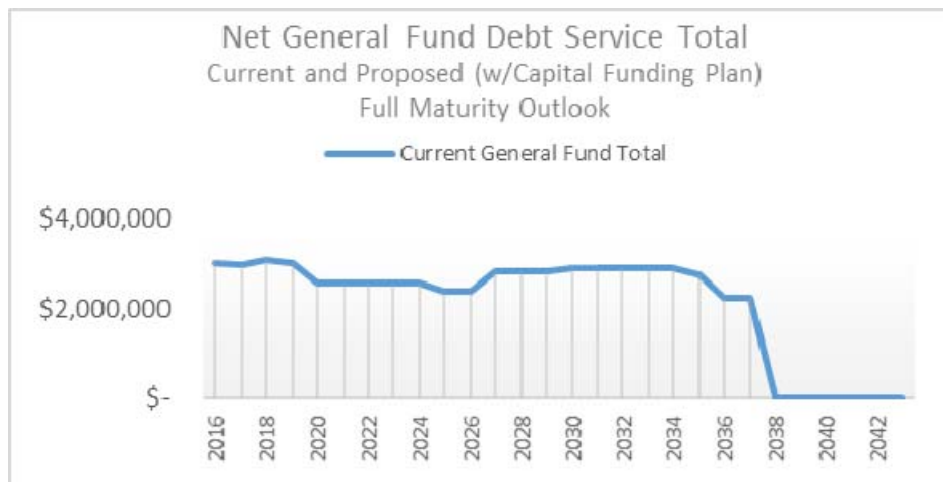
# INTRODUCTION OF A FUNDING PROPOSAL (CONT'D)

- Here's how the program looks graphically:
  - We forecasted out twelve different borrowing transactions
  - Outstanding principal would grow until roughly the sixth borrowing, then level out
  - The same holds true with the annual debt service expense (principal + interest)



# INTRODUCTION OF A FUNDING PROPOSAL (CONT'D)

- Here's how the program fits within the Township's current Debt Service program:
  - These expense graphs include all of the current outstanding bonds that are funded by the General Fund
  - Excludes open space bonds and prior sanitary sewer bonds
  - Over the forecasted period, the total General Fund debt service stays similar to today's levels (with some growth out in 2030 – 2035 that can be planned for accordingly)



# INTRODUCTION OF A FUNDING PROPOSAL (CONT'D)

- Funding Proposal Issue with 2018 Budget:
  - If the Board elects to proceed with the borrowing plan, or some version of it, the capital plan will need either (a) additional non-borrowed funding or (b) projects will need to be prioritized to fit within funding approved
  - As noted in the table below, the funds generated through the small borrowing will not cover projects, as included today.

	2018	2019	2020	2021	2022	2023
Beginning Balance:	\$ 588,259	\$ 2,838,259	\$ 1,738,259	\$ 638,259	\$ 2,888,259	\$ 1,788,259
Sources:						
GF Transfers	-	-	-	-	-	-
Bond Proceeds	3,500,000	-	-	3,500,000	-	-
Less: COI	(150,000)	-	-	(150,000)	-	-
Net Proceeds	3,350,000	-	-	3,350,000	-	-
Uses:						
Capital Expenses	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000
<b>Ending Balance</b>	<b>\$ 2,838,259</b>	<b>\$ 1,738,259</b>	<b>\$ 638,259</b>	<b>\$ 2,888,259</b>	<b>\$ 1,788,259</b>	<b>\$ 688,259</b>
Capital Plan Proposal	1,831,607	1,650,169	2,718,718	1,229,281	1,232,188	589,000
Difference	(731,607)	(550,169)	(1,618,718)	(129,281)	(132,188)	511,000
Aggregate Difference	(731,607)	(1,281,776)	(2,900,494)	(3,029,775)	(3,161,963)	(2,650,963)

# INTRODUCTION OF A FUNDING PROPOSAL (CONT'D)

## Strengths

- Generate roughly \$1.1 million per year for the foreseeable future to fund capital without raising taxes
- Take advantage of today's low interest rate environment
- Provides an opportunity to re-visit the program at least every three years
- Matches the benefit / asset life with the obligation / payment
- Being that no additional taxes would be needed to fund the plan; this discussion can continue beyond the budget decision cycle

## Weaknesses

- Borrowed funds are fixed for the determined period (in this case, we're assuming 20 year repayments). Once borrowed, we should assume that we'll have those expenses for 20 years.
- Expensive Cost of Issuance each time funds are borrowed
- More expensive than cash due to interest costs

## Opportunities

- Forces prioritization of projects and limits "added" capital projects outside of the plan
- Provides flexibility in future years if the funding need increases or decreases, or if funds are needed for projects funded outside the General Fund (i.e. Sanitary Sewer and/or Stormwater)
- Capitalizes on the Township's strong credit rating (Aa1 - steady by Moody's effective in October 2017)

## Threats

- Interest Rate Risk | If interest rates rise over time, the cost of the program will become more expensive (for new issues only)
- Inflation Risk | With fixed annual spending limits, as projects become more expensive, less funds are available for each project
- Could limit opportunity to borrow for larger capital outside of the this plan for large one-time projects

## TIMING AND NEXT STEPS

### ■ **Timing**

- As noted, if the Board is resolute on not adjusting millage rates for 2018, then the capital discussion can continue beyond the budget approval season [noting that the Capital Plan will have to be modified to reflect what is included in the 2018 Board Adopted Budget]
- The Budget Ordinance will be on the November 27 agenda for introduction and can still be amended before;
- The Budget Ordinance will be on the December 11 agenda for adoption (to meet the Charter requirement)

### ■ **Next Steps**

1. Board review of projects: Determine if they agree on project and it's priority
2. Board review of funding: Determine how to fund projects agreed upon in Next Step #1

# AGENDA RECAP

1. Capital Plan Overview – As Presented in Township Manager Recommended Budget
  - How the Capital Plan fits within the overall budget
2. Review of Current Funding Situation
3. Review of Funding Gap
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5. Timing and Next Steps



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THANK YOU

