

Citizens Audit Review & Financial Advisory Committee (CARFAC)

July 24, 2013

7:00PM – Radnor Township Municipal Building, Finance Department

Agenda:

1. Approval of Minutes from June 19, 2013 Meeting (attached)
 2. 2013 Action Item Updates by Working Group (see Action Item Report attached):
 - a. Planning:
 - i. RATE Negotiation Update
 - ii. Five Year Plan Updates
 - iii. Citizen Centric Reporting Update
 - b. Operations:
 - i. Willows Proposal Update
 - ii. Open Space / Ardrossan Analysis
 - iii. Open Space / Cresa Report Analysis
 - iv. Storm Water Funding
 - v. Act 511 Discovery Contract Proposal – move to August meeting
 - c. Audit:
 - i. CAFR - issued June 30, 2013
 - ii. SAS 115 Management Letter - issued July 18, 2013
 3. Old Business: Open Action Items to be addressed
 - a. Reassess ADP as a vendor [4/17 meeting]
 - b. Request Orphans Court process outline (from Solicitor) [4/17 meeting]
 - c. Request Solicitor's written opinion on 29 year lease option (from Solicitor) [4/17 meeting]
 - d. Establish outline and deadline for Solicitor to "clean up" outstanding property items identified in the Cresa report (from Solicitor) [4/17 meeting]
 - e. Add CARFAC to weekly Email of newsletters [4/17 meeting]
 - f. Document need for Street Sweeper (PW Director) [3/20 meeting]
 4. General Discussion
 5. Public Participation
 6. Adjourn
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NOTES:

**Radnor Township
CARFAC – List of Action Items
Updated July 19, 2013**

CARFAC – Committee as a Whole

- I. CARFAC Scorecard
 - a. Mercantile Tax Refunds: proactively returned **\$59,160** to nine establishments to-date
 - b. Swap: Increased Swap discount from 11.4% to 12.0%, generating **\$31,078** in savings
 - c. Swap: Eliminated future costs and risks associated with variable rate bond market and swap payments to Counter Party (conservatively estimated to have saved the Township **\$2.6 million**, documented)
 - e. 2004 Bond Refund: NPV savings of **\$2,013,920** or 14.198% of Refunded Principal
 - f. Contributed to the development of a dedicated OPEB Fund to begin the process of funding the long-term liability
 - g. Participate in the 2012 Audit process; Met with BOC to review issues; Recommend Acceptance of the Independent Auditor’s Report and Audited Financial Statements

Planning Working Group

- I. OPEB Funding Strategy
 - a. Review RATE Negotiation progress/ Items as they relate to OPEB / Pension project
 - b. Bill to ask PFM for a proposed approach to managing the OPEB trust funds.
 - c. Incorporate any OPEB funding strategy into five-year plan
- II. Five Year Plan Updates
 - a. Five Year Plan spreadsheets are review for review / update
- III. Strategy for Bond Payments
 - a. This should be an item reviewed periodically for opportunities
- IV. Stakeholder Communications (a.k.a. “Citizen Centric Reporting”)
 - a. Research/publish the citizen-centric reporting approach – agree on theme, frequency and format – meet with web-site developer/consider e-mail strategy
 - b. Plan is to design the initial CCR for distribution at budget time. Thereafter we plan to publish twice per year.

Operations Working Group

- I. Analyze Willows proposals (Administration recommendation, which included CARFAC’s work, was submitted to the BOC on June 6. BOC heard the Administration’s recommendation on June 24 and on July 8th authorized administration to enter negotiations with Conroy Catering). **No further action is needed at this time from CARFAC**
- II. Open Space / Ardrossan
 - a. Review Solicitor’s written description of Orphan Court procedures once we receive it.
 - b. Review Solicitor’s opinion on 29 year lease once we receive it.

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III. Open Space / Cresa Report

- a. Review report and verify the Township's cost to own property - Administration (Bob T.) to develop a matrix of all property by location, date acquired, acreage, cost, fair value, purpose, zoning and other notes. **(Initial Draft Distributed by Bob T. on May 31 and reviewed further with working group on July 3rd – Michael A. addressing several open items)**
- b. Report back to the Board of Commissioners in 2013

IV. Storm Water Strategy

- a. Township consulting engineers presented funding proposals at the June 24 special Board meeting. Information will be distributed to CARFAC for review / inclusion into operations agenda.

V. Business Tax Discovery

- a. Township to counteroffer 25% rather than 32% per proposal
- b. Bob Tate to redistribute [amended] agreement to working group by June 27 - **will be available for distribution for August CARFAC meeting.**

Audit Working Group

- a. Issue CAFR by June 30, 2013 GFOA Deadline – **On track**
- b. Financial Systems – consider framework for evaluation of software – **No update at this time**
- c. **SAS 115 Management Letter – Hard copies received July 18, 2013 – to be distributed to Board of Commissioners**

Township Administration

- d. Reassess ADP as a vendor [4/17 meeting] - **Ongoing**
- e. Request Orphans Court process outline (from Solicitor) [4/17 meeting] – **Awaiting response from Solicitor**
- f. Request Solicitor's written opinion on 29 year lease option (from Solicitor) [4/17 meeting] – **Awaiting response from Solicitor**
- g. Establish outline and deadline for Solicitor to “clean up” outstanding property items identified in the Cresa report (from Solicitor) [4/17 meeting] – **Awaiting response from Solicitor**
- h. Document need for Street Sweeper (PW Director) [3/20 meeting] – **forthcoming by July CARFAC meeting**

June 19, 7:00 p.m.

Radnor Township Municipal Building
Administration Department, 2nd Floor
301 Iven Avenue, Wayne, PA 19087

Meeting Minutes

The meeting was called to order by the Chairman Mark Blair at 7:04 p.m. The meeting was attended by Leigh Gourmand, Laurent Chardonnet, Karl Bupp, Mark Blair, Michael Antonoplos, Ed Caine, and Jerry Linden. Jim Bowes and Joe Ellis had scheduling conflicts and were unable to attend. Township staff members present were Assistant Finance Director Bob Tate, and Finance Director Bill White.

The Committee discussed the following items:

1. **Approval of Minutes:**

a. Public Meetings:

- i. May 15, 2013 Meeting minutes – Approved 7-0 as written (moved by Mr. Caine, second by Mr. Antonoplos)
- ii. June 10, 2013 Meeting minutes – approved 7-0 as amended to note that the meeting was held via' conference call (moved by Mr. Caine, second by Mr. Antonoplos)

2. **OPEB Funding Scenario Review / Recommendation:** The Committee reviewed the various scenario summaries as prepared by Committee Member Jerry Linden, with supporting explanation from Finance Director Bill White. The five scenarios were discussed in detail including each plan's funding summary, full-funding horizon, incremental average OPEB funding increase each year, the peak OPEB funding amount, a description of the plans positive / negative attributes, and then a look at the real estate tax impacts of each plan including a look at the average annual increase and the cumulative increase (through full-funding). To help with the explanation, each funding plan was graphed to show comparison between the plans as well as to demonstrate the various components of the OPEB liability (those being: Normal Cost, Amortization of the Unfunded Liability and PAYGO). During the Committee's review of the plans, discussion was held regarding the following:

- a. **What was the goal of the presentation?** After discussion, it was determined that the goal was to assist the Administration in fulfilling the Board of Commissioner's request to develop funding plans. Additionally, it was important to reconcile the funding plan back to CARFAC's presentation of the OPEB / Pension Problem from December 2012.
- b. **Should the Township even consider fully-funding the plan (given the nature of the above-market benefits)?** Concern was raised that since the current civilian benefit levels and future police benefit level assumptions were too expensive, that we should pull back on making a recommendation that shows full-funding. Instead, an alternative funding scenario should be developed revising these assumptions and presenting that to the

Board. In the end, the Committee agreed to stick with the scenarios that were already prepared due to the fact that they are based on the facts (as they exist today), due the underlying risk associated with the union negotiation process and since any alternative assumption would have no factual basis (it would simply be CARFAC's best guess).

- c. **Was CARFAC comfortable with the Real Estate Tax Equivalent inclusion?** Concern was raised that it could be implied that CARFAC was endorsing these tax increases by presenting the funding plan. We agreed that this would be expressly explained in the presentation that the RE Tax equivalent numbers are for comparison / information purposes only, and not intended to endorse or predict future tax increase decisions.
- d. **How should the presentation flow?** CARFAC discussed the outline / flow of the presentation to make sure that the message could be delivered in a short window. To that end, Finance Director Bill White agreed to provide CARFAC an outline of the presentation for their review prior to preparing the final presentation.

3. 2013 Action Item Updates by Working Group:

- a. Planning:
 - i. RATE Negotiation Update: Mark Blair and Bill White provided an update from the Administration's internal negotiation meeting held on June 13, 2013. No further action was discussed at this time as the Administration is working with the labor attorney on a counter proposal back to the RATE union.
 - ii. Five Year Plan Updates: CARFAC discussed the need to review the fund balance policy given the spike in Act 511 revenue: that perhaps we need to review if 15% is reasonable given the fact that the most volatile portion of the general fund's revenue is growing (and making up a larger percentage of the whole). It was determined that the Planning Group would look at that as part of the budget review process and five-year forecast update review process, to begin later this summer.
 - iii. Citizen Centric Reporting: No update at this time, beyond what was decided at the last meeting
- b. Operations:
 - i. Willows Proposal Update: Finance Director Bill White explained that after the delay from the June 10 meeting, that the Administration's recommendation was on the June 24 Board of Commissioner agenda for review.
 - ii. Open Space / Ardrossan Analysis: No direct update at this time

- iii. Open Space / Cresa Report Analysis: Assistant Finance Director Bob Tate noted his distribution of the spreadsheet that includes all the Township property and the other aspects as requested by the Working Group. Future meetings will determine the direction of this project.
 - iv. Storm Water Funding: Finance Director Bill White updated CARFAC that a presentation was scheduled for the June 24 Board meeting by the engineer's hired to prepare a storm water funding plan. After that presentation, CARFAC will need to get engaged on this project to review the plan and provide input as requested by the Board.
 - v. Act 511 Discovery Contract Proposal: Assistant Finance Director Bob Tate gave an update on the contract negotiations with the firm, which included incorporating the suggestions / recommendations made by various CARFAC members who provided input. CARFAC then discussed those proposed amendments. The discussion was concluded when Mr. Tate noted that he would provide the Working Group with an updated agreement by Friday June 27.
- c. Audit:
- i. BOC Meeting recap: Mr. Caine summarized that he felt that the meeting with the Board of Commissioners on June 10 went well and that the Board adopted the Resolution Accepting the 2012 Audited Financial Statements and Independent Audit Report without any issue. Mr. Bupp noted his disappointment that the Administration has not yet received a written copy of the Management Letter and that the representative from CLA did not stay to present to the public at the June 10 meeting. He noted that he would follow up directly with CLA on those issues.
 - ii. Remaining 2012 CAFR Schedule: Assistant Finance Director Bob Tate noted that the CAFR will be assembled, printed and distributed by June 27 (prior to the June 30 GFOA deadline).
4. **Old Business: Open Action Items to be addressed:**
- a. Reassess ADP as a vendor [4/17 meeting]: Finance Director Bill White noted that the Administration was proceeding with the test payrolls and that ADP had changed the contact on the project. This is still ongoing.
 - b. Request Orphans Court process outline from Solicitor [4/17 meeting] Finance Director Bill White will follow up with the Solicitor by the next meeting to get a time frame on when we can expect this information.

- c. Request Solicitor's opinion on the 29 year lease option [4/17 meeting] Finance Director Bill White will follow up with the Solicitor by the next meeting to get a time frame on when we can expect this information.
 - d. Establish outline and deadline for Solicitor "clean up" of outstanding property items identified in the Cresa report [4/17 meeting] Finance Director Bill White will follow up with the Solicitor by the next meeting to get a time frame on when we can expect this information.
 - e. Add CARFAC to weekly Email of newsletters [4/17 meeting] Finance Director Bill White will make sure that everyone on CARFAC is on the email list.
 - f. Document need for Street Sweeper from Public Works Director [3/20 meeting] Finance Director Bill White will follow up with the Director and get back to CARFAC.
5. **General Discussion:** CARFAC scheduled the remainder of their regular meetings through the rest of 2013 as follows:
 - a. July 24
 - b. August 21
 - c. September 18
 - d. October 16
 - e. November 20
 - f. December 11
6. **Public Participation:** No members from the public were present
7. **Adjourn:** Being no further business, the meeting was adjourned at 9:25 p.m.