

To: Radnor Township Board of Commissioners Finance Committee
From: Citizens Audit Review & Financial Advisory Committee ("CARFAC")
Date: February 25, 2014
Re: Review of 2014 priorities

Our thanks to Commissioners Elaine Schaefer, John Nagle and Jim Higgins for meeting with us on January 15. Later in the evening we met with Bob Zienkowski, Bill White and Bob Tate. After hearing from the Board and the Township Manager, CARFAC views the following as its priorities for 2014:

CARFAC's view of its priorities for 2014:

- 1) Planning & Budgeting
 - a. Recommend treatment of one-time revenue receipts.
 - b. Review unfunded liabilities on an on-going basis; report back to the Board at least annually.
 - c. Continue to update and refine the five-year planning model.
 - d. Develop a long-term and strategic business approach to how the Township operates to include potential policy recommendations on public/private partnerships and economic development.
- 2) Audit
 - a. Oversee the Audit plan and process.
 - b. Interact with the Township's public accounting firm's partner(s) and staff.
 - c. Continue to work with Township administrative staff to improve financial controls and processes.
- 3) Operations
 - a. Prepare debt service analysis as it relates to Ardrossan and opportunities for refunding current outstanding debt series.
 - b. Recommend approach to providing engineering services to the Township: Hire in-house engineer, rely on third party firm (either in a consultant capacity or through full-time office hours), or some other approach.
 - c. Recommend an approach to monetize certain Township assets.
 - d. Assist in the design and implementation planning of an enterprise information technology solution for the Township.

CARFAC's view of its accomplishments in 2013:

- 1) Planning & Budgeting
 - a. Advocated termination of the Swaption agreement. Increased Swap discount from 11.4% to 12.0%, generating savings of \$31,078. Termination eliminated future costs and risks estimated to have saved the Township \$2.6 million.
 - b. Contributed to the development of an OPEB funding plan aimed at dedicating annual resources to be invested to fund this liability over a forty-year horizon, beginning in 2014.
 - c. Assisted in the allocation of the \$8.0 million Business Privilege Tax settlement. This allowed the Township to make a material contribution to its unfunded liabilities, fund its 2014 capital program, reduce the initial storm water fee, and provide the Township with funds to proceed with the parking kiosk and enterprise resource planning software projects.

- d. Reviewed and provided input on the collective bargaining agreements building upon the recommendations in CARFAC's Pension and OPEB report to the Board of Commissioners.
- e. Participated in the update to the five year forecast as part of the 2014 budget process. Improvements to the forecast included refined pension forecasts, inclusion of the OPEB funding plan, and calculations for the net revenue from the Ardrossan development.

2) Audit

- a. Participated in the 2012 Audit process; met with BOC to review issues; recommended acceptance of the Independent Auditor's Report and Audited Financial Statements.
- b. Assisted staff in significantly reducing the number of Material Weaknesses, Significant Deficiencies and Other Deficiencies in Township financial controls and procedures identified by the outside Auditor:

	2009	2010	2011	2012
Material	10	6	1 *	0
Significant	3	4	0 *	0
Other	14	17	9 *	2**
Total	27	27	10	2

* For 2011, seven of the Management Letter comments were addressed in 2011, but still included in the Auditor's letter. This table reflects the total comments after those items were removed.

** For 2012, four of the Management Letter comments were addressed in 2012, but still included in the Auditor's letter. This table reflects the total comments after those items were removed.

- c. Reported ("CAFR") in a timely manner. The 2012 CAFR was submitted to the Government Finance Officers Association ("GFOA") for consideration for the Certificate of Achievement for Excellence in Financial Reporting. Radnor Township last earned this distinction for the year ended December 31, 2011.

3) Operations

- a. Identified and followed through on \$59,160 in Mercantile Tax refunds to nine Township business establishments.
- b. Advocated a 2004 Bond Refund. This resulted in a net present value savings of \$2.0 million, or 14.2% of refunded principal.
- c. Reviewed and ultimately recommended proceeding with a third party Act 511 Tax Discovery firm to aid in administrating compliance with business tax laws. This contract was approved by the BOC October 14, 2013.
- d. Met with Township department heads for in-depth 2014 budget reviews. Recommended revenue assumptions and expense/capital reductions that assisted in the delivery of a budget with no real estate tax increase.
- e. Satisfied CARFAC's responsibilities with regard to the Phase II Open Space Policy review of the financial questions posed in the Township's Open Space Policy as it pertains to the purchase of 70+ acres at Ardrossan. Recommended a second, independent appraisal which provided confirmation of the initial appraisal amount.