

# Stakeholder's Financial Summary

April 2016

The Board of Commissioners, the Citizen's Audit Review & Financial Advisory Committee ("CARFAC"), and Township Administration are pleased to present this summary of the Township's financial position, activities, and outlook to the stakeholders of Radnor Township.

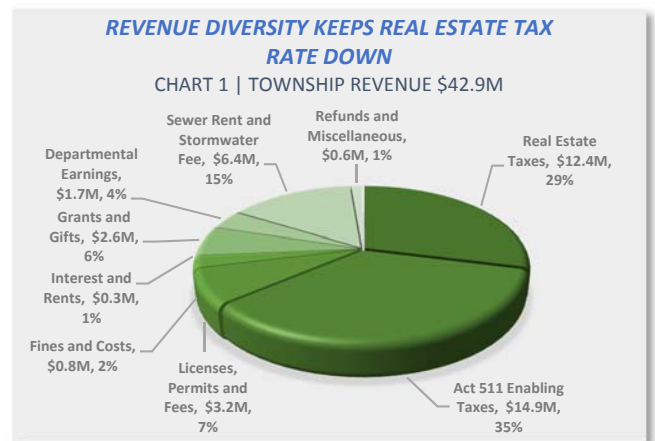
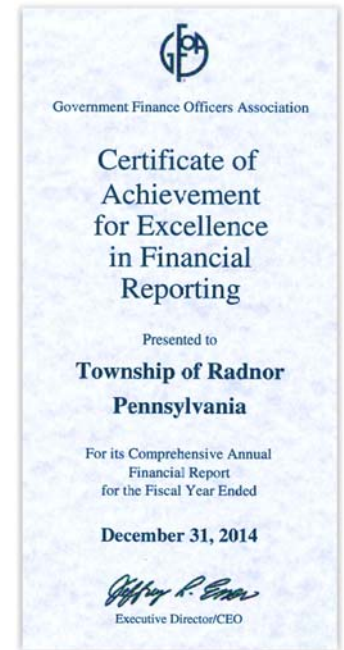
Radnor Township encompasses 13.83 square miles, has a population of 31,531 and consists of all or portions of the Bryn Mawr, Garrett Hill, Newtown Square, Radnor, Rosemont, St. David's, Villanova, and Wayne neighborhoods. The Township is a legal entity *completely* separate from the Radnor Township School District, which serves the same geographic area. Township services include police protection, public works (including trash, leaf and yard waste collection, streets, signals, sewers and storm water), community development (including building and codes enforcement), parks and recreation, and government administration. The Board of Commissioners elects to provide financial support to non-Township entities including the Radnor Memorial Library, Radnor, Bryn Mawr and Broomall fire companies, and other community organizations.

The Township budgets for its activities through an annual budgeting process that includes updates to the Township's five-year capital plan, five-year financial forecast, and OPEB funding plan. The fiscal year is January 1 to December 31. The Township follows governmental accounting and reporting standards, under which separate funds are maintained, including the General Fund, the Sewer Fund, and the Park Improvement and Open Space Fund. The Township has fiduciary responsibility for employee pension and Other Post-Employment Benefits (OPEB), which is accounted for in separate agency funds. The Township issues an annual financial report audited by an independent accounting firm. All Township financial reports are available on the Finance Department's webpage at <http://radnor.com/251/Finance>.

The 2016 budget was prepared with the following priorities: (1) maintain the excellent municipal programs and services offered by the Township, (2) consider long-term decisions that can be made today that will either decrease future expenses or increase future (non-real estate tax) revenues, and (3) continue to press the need for a fully-funded long-term capital and infrastructure program.

## Revenues

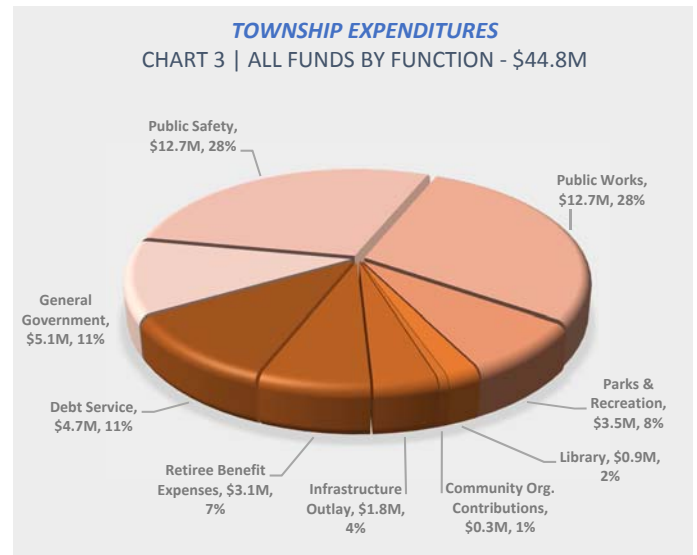
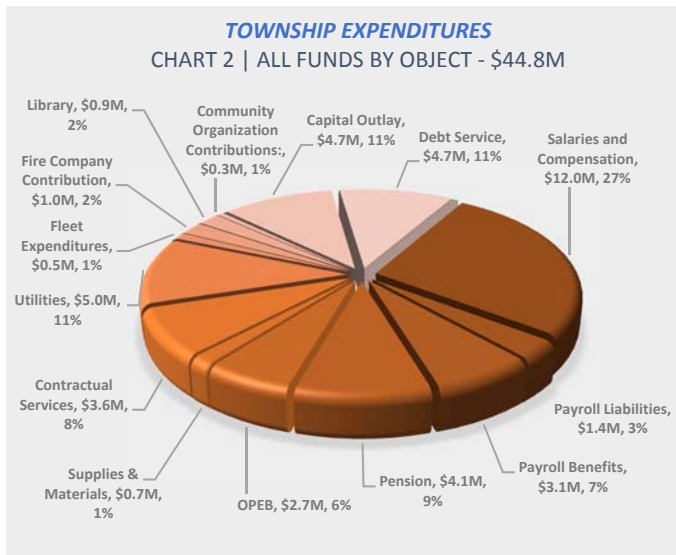
Anticipated revenues of \$42.9 million for 2016 (excludes interfund transfers) come approximately one-third each from real estate taxes, Act 511 taxes, and from fees, fines and other charges for services (permitting, departmental earnings). Act 511 taxes include a business privilege and mercantile tax on gross receipts, a local services tax and a realty transfer tax. Fees include the sewer rent fee payable by those connected to the township sanitary sewer system, and the storm water fee, levied on all properties in Radnor based on impervious area. Charges for services include permitting revenue from local development projects and departmental earnings including recreation programming, parking, and police extra duty revenue.



## Expenditures

The charts below present two views of Township anticipated expenditures of \$44.8 million for 2016. The excess of expenditures over revenues is the result of non-recurring capital expenditures funded by revenue recognized in prior years. Chart 2 shows the expenditures by object – the *type* of expenditure. The largest component of expenditures is for salaries and benefits. This is typical for local governments and other service related industries. Other large components of expenditure are debt service and capital outlay. Also, the \$5.0 million expenditure for utilities includes payment by the Township to the regional sewerage authority (“RHM”) and is funded by the sewer rent fee.

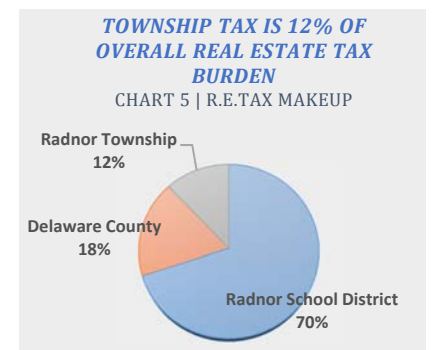
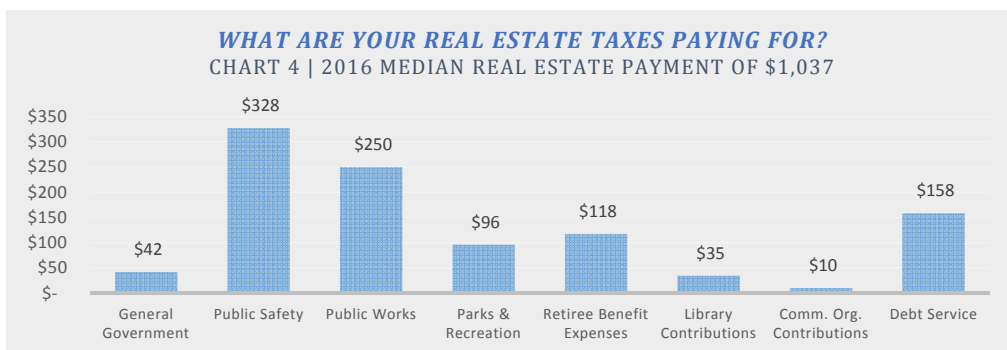
Chart 3 depicts the same expenditures by township function. The largest expenditures, comprising over half of the budget, are for Public Works and Public Safety. These include the Police Department, Community Development Department and fire company contributions. Over the past several years, the Township has been able to restore uniformed police officers to 44 positions from a low of 36 in 2012.



## Real Estate Tax

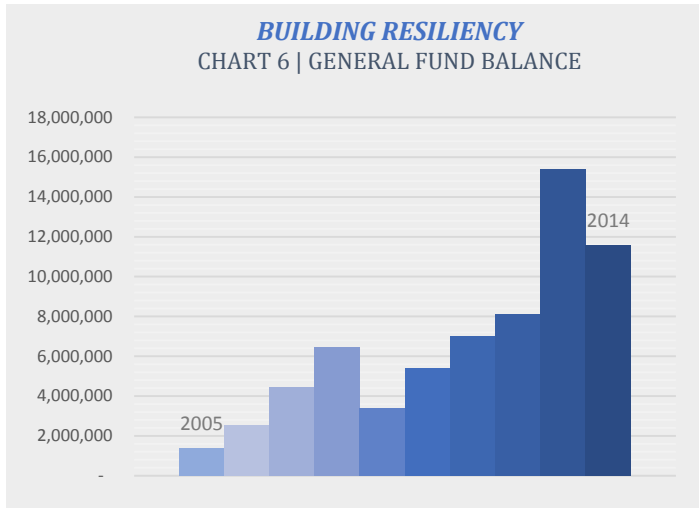
Chart 4 looks at township expenditures from the perspective of how the township real estate tax bill of the average Radnor resident is distributed among the broad service categories. The median residential assessed value is \$264,710. This yields a median Radnor Township tax bill of \$1,037. For 2016, the Board increased the millage from the prior four years from 3.7511 to 3.9228. The additional millage of 0.1717 is reflected in “Debt Service.” It will cost the median taxpayer \$45 annually. It is dedicated to the repayment of \$8.25 million in bonds issued specifically for improvements at the library building (\$2.5M), various parks (\$4.3M), and several trail extensions (\$1.45M). The Library is contributing approximately \$1.0M of its funds and the Township anticipates receiving \$2.7M in grants and other funding to help support the project financing. It should also be noted that the Board of Commissioners has not yet enacted the [up-to] 0.15 mills needed to fund the open space / Ardrossan bonds, which were issued in 2014. It is expected that this millage will be needed beginning in 2017, and will last through 2024.

Radnor Township is one of three governmental entities that tax Radnor property owners (residents *and* businesses) based on the assessed value of their property. Chart 5 shows that the Township’s share of the real estate tax bill is 12 percent of the total real estate tax paid when the Radnor Township School District and Delaware County taxes are included.



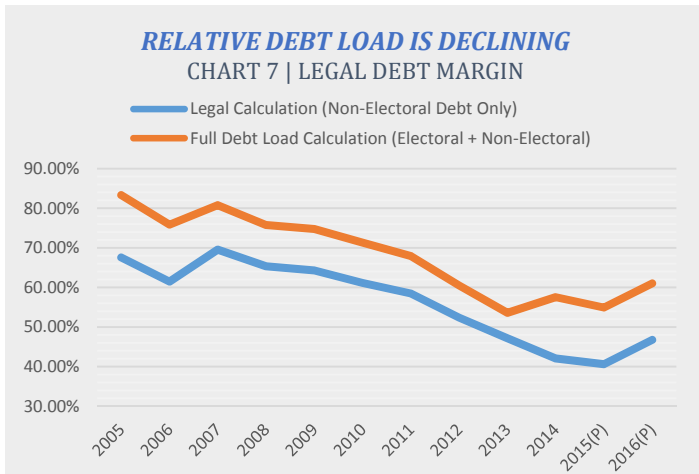
## Metrics to Determine Fiscal Health and Debt Load

In November 2015, the Board of Commissioners asked the Citizens’ Audit Review and Financial Advisory Committee (CARFAC) to identify metrics that determine if the Township’s financial position is better or worse today, versus prior years, with an emphasis on the amount of debt being carried by the Township. CARFAC presented its [report](#) to the Board in December 2015. CARFAC reported that, based on certain metrics required in the Township’s audited annual financial report, the Township’s financial position is *improving*. The Township’s General Fund balance is increasing and the Township’s percentage of debt to revenue is declining. The metrics discussed in the report tie back to the Township’s [Comprehensive Annual Financial Report](#) (“CAFR”).



### Key Points

1. At CARFAC’s recommendation, the Board of Commissioners increased the required fund balance from 15% to 25% to mitigate unanticipated revenue fluctuations.
2. The Township built higher reserves by capitalizing on large revenue growth generated from post-recession Act 511 tax growth.
3. Reserves can be used to maintain programs in years of lower than expected revenue, limiting the short term need to adjust tax rates to maintain programs.
4. The fund balance policy requires replenishment in any year following a time when the balance falls below required levels.
5. The 2014 decrease in fund balance is the result of a one-time spike in 2013 from a tax settlement, which was spent down in 2014 on pension and capital funding.

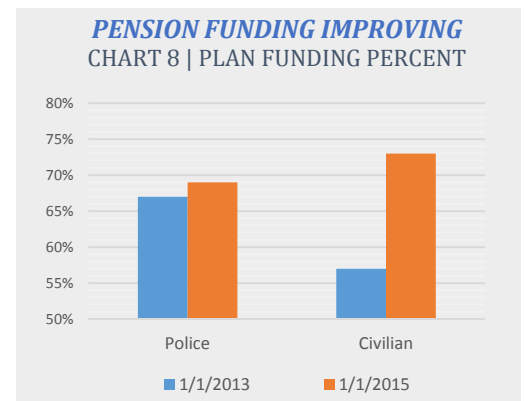


### Key Points

1. The formula calculates the amount of outstanding debt as a percentage of the three-year average of total revenue.
2. For transparency, CARFAC elected to include both the Non-Electoral and Electoral debt in Chart 2 (State law only limits the amount of Non-Electoral debt).
3. Electoral debt increased in 2014 as a result of the voted open space bonds used to purchase the 71 acres at Ardrossan (repayment is funded through a combination of voted real estate taxes [not yet levied] and real estate transfer tax).
4. Non-Electoral debt increased in 2015/2016 as a result of the Library | Park | Trail improvement bonds totaling \$8,250,000 (repayment is funded through dedicated real estate tax millage enacted in 2016).

## Long-Term Liabilities: Pensions and Other Post-Employment Benefits (“OPEB”)

In addition to future bond payments, the Township has long-term liabilities for payment of future employee benefits including pensions and retiree healthcare. The Township maintains separate pension funds for police and for civilian employees. As of January 1, 2015, these two funds held \$49.5 million in assets. These assets represent 69% for police and 73% for civilian of the actuarially determined amount needed to fund future benefits. That is, the plans require \$20 million more in assets to fully fund future liabilities, down from \$22 million two years ago. This shortfall is being amortized, with current annual payments of nearly \$2.9 million. Chart 8 compares the funding percentages from the last two Township actuarial reports and shows the impact of measures implemented by the Township since 2012, including allocation of surplus and one-time revenues to pensions.



OPEB includes healthcare benefits provided to retired unionized police and civilian employees. The Township is contractually obligated to pay this benefit, and has begun to reserve funds for it.

The 2016 budget is in year three of the 10-year phase-in OPEB funding plan adopted at the June 24, 2013 Special Board meeting. This funding plan was evaluated, along with several other approaches, with guidance from CARFAC and the Township’s actuarial benefits firm, Mockenhaupt Benefits Group. The funding plan continues the “pay-as-you-go” approach while adding increments of \$200,000 per year, over ten years, to build up the annual funding to the required annual contribution level. The plan, as it exists based on today’s facts, is scheduled to build assets to fully fund the OPEB liability by the year 2059. Meanwhile, the Township has reduced OPEB benefits for all new employees. Newly hired police officers will participate until they are eligible for Medicare. The benefit is no longer offered to new civilian employees.

**CARFAC Initiatives and Fiscal Improvements**

<p><b>CARFAC Members:</b>          Mark Blair, Chair          Michael Antonoplos          Edward Caine          Marty Dwyer          Mary Hoeltzel          Jerry Linden          Leo Marte          Carl Rosenfeld          Jeffrey Ruben</p>	<p>In 2011, the Board of Commissioners created the Citizens’ Audit Review and Financial Advisory Committee (“CARFAC”). CARFAC provides an additional layer of oversight so as to enhance the Township's effort to promote transparency in financial accountability and to ensure the appropriate and proper expenditure of taxpayer dollars. CARFAC consists of nine (9) volunteer members whose responsibilities include reviewing and making recommendations for improvements in the Township’s audit process, fiscal planning, budgeting, business processes and educating the public on these initiatives.</p> <p>Through the Committee and sub-committees, CARFAC works with Township Administration to make recommendations to the Board of Commissioners in three broad areas: Planning and Budgeting, Audit, and Operations. CARFAC’s major activities and accomplishments during the last two years are highlighted below. For 2016, CARFAC will continue to work on these projects, with prioritized focus on capital planning and forecasting, processes for Act 511 mercantile and business privilege taxes, implementation of the new township administrative system, review of the township’s bond rating, opportunities for asset monetization and other cost savings, and staffing.</p>
<p>Planning and Budgeting</p>	<ul style="list-style-type: none"> <li>• Recommended adoption of revised Fund Balance and Nonrecurring Revenue Policies as part of the Board’s prescribed priority regarding the treatment of one-time revenue.</li> <li>• Prepared a special report to the Board on the Township’s Financial Metrics, Financial Position and Bond Issuance,</li> <li>• Reviewed the Township’s capital plan, including the parks improvement plan funding options.</li> <li>• Maintained on-going review of unfunded liabilities.</li> <li>• Reviewed the Township’s budget and continued to update and refine the five-year planning model to anticipate the effects of different strategies.</li> </ul>
<p>Audit</p>	<ul style="list-style-type: none"> <li>• Participated in the Audit process; met with the Board to review issues; recommended acceptance of the Independent Auditor’s Report and Audited Financial Statements.</li> <li>• Assisted staff in continuing to reduce the number of Material Weaknesses, Significant Deficiencies and Other Deficiencies in Township financial controls and procedures identified by the outside Auditor. Number of items has been reduced from 27 in 2009 to 1.</li> <li>• Reported Comprehensive Annual Financial Report (“CAFR”) in a timely manner. For the fourth consecutive year the CAFRs were recognized by the Government Financial Officers Association (“GFOA”) by receiving its Certificate of Achievement for Excellence in Financial Reporting.</li> </ul>
<p>Operations</p>	<ul style="list-style-type: none"> <li>• Recommended an Open Space purchase funding strategy that will save taxpayers roughly \$387,000 over the life of the bonds used to finance the Ardrossan purchase.</li> <li>• Recommended an Act 511 Discovery program that enhanced net business privilege and mercantile tax revenues by \$136,560 during calendar year 2014.</li> <li>• Assisted in obtaining a \$254,325 state grant for the Clem Macrone Park Master Plan and the Wayne Senior Center.</li> <li>• Working with township administration and staff, evaluated options and developed a recommendation for a new township administrative software solution that will update and expand the scope of the existing, outdated system.</li> <li>• Evaluated the possibility of monetizing certain Township assets. Obtained appraisals, conducted site searches, analyzed space needs, and determined highest and best use of space. This ongoing project is limited to the Township Building, Public Works Facility, and Senior Center.</li> <li>• Analyzed several bond issuances and refinancing opportunities.</li> </ul>