

***SPECIAL
BOARD OF COMMISSIONERS
AGENDA***

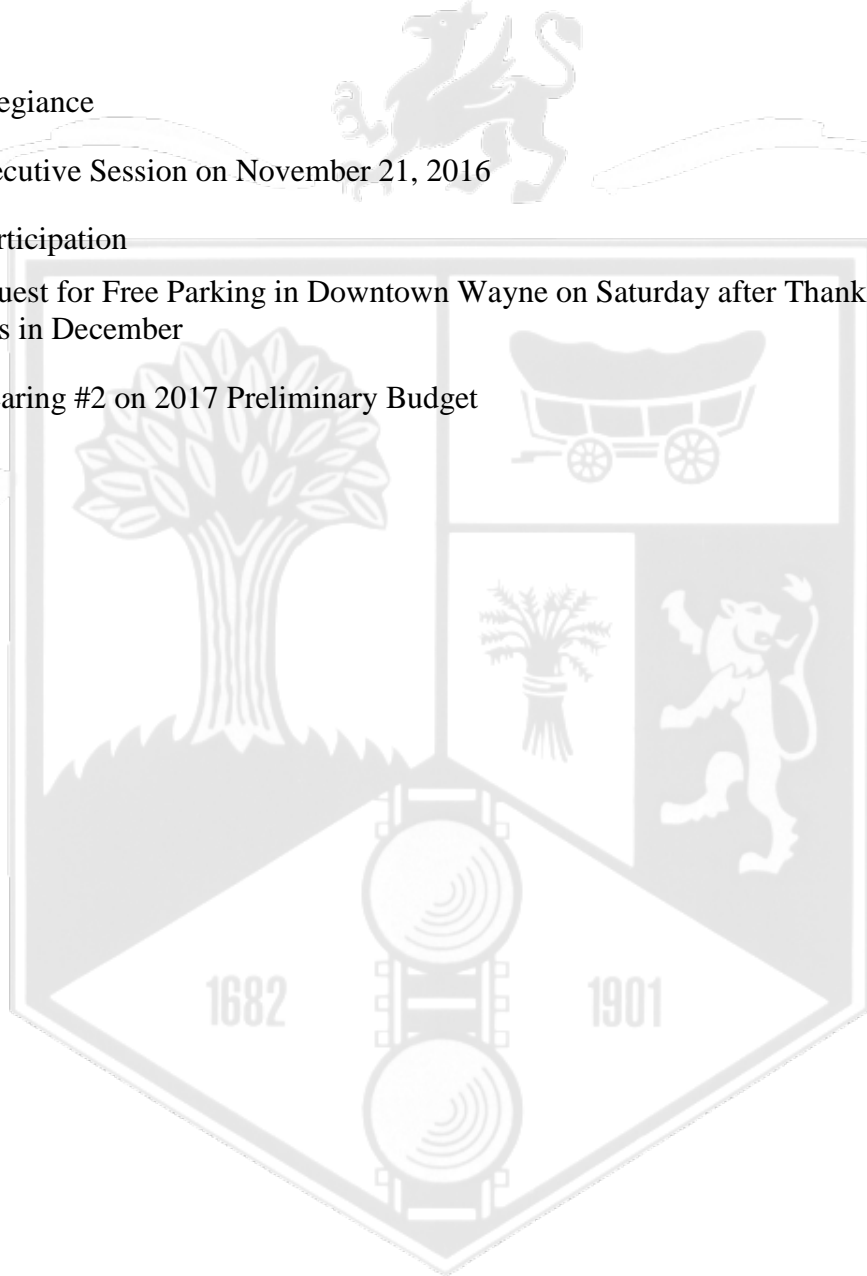
Monday, November 21, 2016 - 6:30 PM

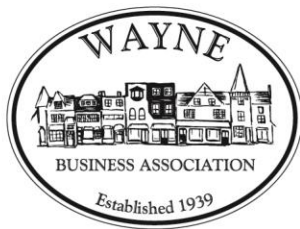
Pledge of Allegiance

Notice of Executive Session on November 21, 2016

1. Public Participation
2. WBA request for Free Parking in Downtown Wayne on Saturday after Thanksgiving and Saturday's in December
3. Public Hearing #2 on 2017 Preliminary Budget

Adjournment





Wayne Business Association

P.O. BOX 50 WAYNE, PENNSYLVANIA 19087

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Christopher Todd
Christopher's Restaurant

VICE PRESIDENT

Deanna Doane
Click Canyon

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Wayne Art Center

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Dayton Lock Company

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*Healthy Food Specialist/
Culinary Instructor*

Scott Reidenbach, Esq.
Reidenbach & Associates, LLC

November 15, 2016

TO: Radnor Township Commissioners and Police Department

FROM: Wayne Business Association

RE: Free Saturday Parking Nov 26th, Dec 3rd, 10th, 17th, 31st.

The Wayne Business Association (WBA) respectfully requests the consideration of free parking on the 4 Saturdays before Christmas and the one following, as done in the past. It is greatly appreciated by the merchants of Wayne and helps the Town succeed during the Holidays.

Thank You,

Christopher Todd

Christopher Todd, Volunteer President WBA

TO: RADNOR TOWNSHIP BOARD OF COMMISSIONERS
FROM: CITIZENS AUDIT REVIEW AND FINANCIAL ADVISORY COMMITTEE
SUBJECT: ALLOCATION OF SURPLUS FUNDS
DATE: NOVEMBER 16, 2016

Thank you again for the opportunity to discuss our report on capital funding and long-term liabilities. We appreciate the time and attention the Board is devoting to these important policy choices and financial topics.

As a follow-up to the November 7th budget hearing, we would like to provide further information and clarification regarding the allocation of funds between capital and pensions. Distinct from weighing the importance of capital needs versus pensions is the financial decision of how best to deploy township's limited resources.

If desired by the Board, the Township could now issue bonds at rates in the neighborhood of 3 percent, and this is considered a low rate by historical standards, and it now seems more likely to inch up in coming quarters and years. At the same time, the rate of return used by the actuarial firm for pensions is 7.5 percent. Contributions in excess of the MMO that the Board might choose to make have an even more favorable impact on the Township's cash flows than borrowing long term at rates near historic lows. The Board might conclude that it makes sense to make as large a contribution of the Township's surplus to pensions as practical in that funds can be borrowed to meet capital funding requirements. Doing so has a significantly greater reduction in the Township's operating expenses than a proportionate increase in borrowing increases interest expense. Here is a brief explanation of the math involved.

There was discussion on what aspects of this are theoretical and what aspects are real. To be clear, the 7.5% return to be realized by applying funds to pensions is real, and is based solely on the established rate of return used for actuarial valuation, and is unaffected by the actual returns realized.

Simply stated, any funds contributed beyond the MMO will be treated in the next actuarial valuation as an experience gain, and amortized using an amortization formula similar to a mortgage, but in reverse. An example of \$1,000,000 contributed, and amortized over a period of 20 years, works out as follows:

Contribution Amount: \$1,000,000
Rate of Return: 7.5%
Period: 20 years
Annual Amortization Reduction: \$98,092
Total Amortization Reduction: \$1,961,840

In this example, for the next 20 years the MMO payment will be \$98,092 lower per year than it would have been otherwise. That is, the MMO will go up and down based on the actual returns realized and all the other factors, but it will always be \$98,092 lower than it would have been without the additional contribution of \$1,000,000 now.

Similarly, the \$2.7 million that the township contributed in 2013 from the tax settlement had the impact of reducing the MMO by about \$270,000 per year, for 20 years. Had this not been done, today's MMO payment would be \$270,000 higher. And again, it is unrelated to the actual returns that those funds will experience.

Turning now to the cost of borrowing for capital projects, the same amortization can be applied:

Bond Amount: \$1,000,000
Interest Rate: 3.0%
Period: 20 years
Annual Payment: \$67,216
Total Payments: \$1,344,320

Thus, the overall benefit to the township is \$30,876 [\$98,092-67,216] per year or \$617,520 over the twenty-year period of the pension amortization and the bond, *per \$1,000,000 considered*.

	Pension Contribution	Bond	Net Benefit to Township
Annual	\$98,092	\$67,216	\$30,876
Total over 20 years	\$1,961,840	\$1,344,320	\$617,520

That is, the township will save \$617,520 by applying \$1,000,000 to pensions and then borrowing for capital projects (at today's rates), than if it chooses to use the \$1,000,000 to pay cash for the capital projects. Even at a bond interest rate of 4%, the net benefit to the township would be \$24,510 per year or \$490,200 over 20 years.

As stated in our presentation, any allocation would need to be transferred to the pension funds by 12/31/2016 to impact the 1/1/2017 biannual actuarial valuation, which would then be reflected in a reduced MMO for the 2018 budget.

Please let us know if we can provide any further information.