

Citizens Audit Review & Financial Advisory Committee (CARFAC)

March 14, 2012

7:00PM – Radnor Township Municipal Building, Police Roll Call Room

Agenda:

1. Approval of Minutes:
 - a. February 15, 2012 Meeting
2. Discussion with Commissioners Spingler and Schaefer
3. Planning Group Project: Pension / OPEB Project Timeline Discussion
4. Administration's Proposed "Volunteer Contribution for Service Program"
5. Working Group Updates
6. General Discussion
7. Public Participation
8. Adjourn (the goal will be no later than 9:00PM)

NOTES:

Meeting Minutes

The meeting was called to order by the Committee Chair, Karl Bupp, at 7:04 p.m. The meeting was attended by Karl Bupp, Laurent Chardonnet, Leigh Gourmand, Joe Ellis and Jerry Linden, being all of the members of the Committee, except for Ed Caine, Mark Blair, Jim Bowes and Peter Novak. Messrs. Caine, Blair, Bowes and Novak did not attend due to scheduling conflicts. The meeting was also attended by Bill White, the Township's Finance Director. No members of the public were in attendance.

The Committee agenda was as follows:

1. Approval of Minutes
 - a. January 18, 2011 Meeting – approved.
2. Recap of January 30, 2012 forecasting presentation: The Committee and Mr. White discussed feedback received from the special meeting with the Commissioners on January 30th. For the most part, it seemed that feedback was positive and that getting this information out for the public was a good first step in addressing the larger issues. Further discussion included capital funding assumptions (lease vs. buy) as well as how these meetings might result in decisions down the road, including the possibility / probability of outsourcing services.
3. Board of Commissioners Invitation to CARFAC meetings: The Committee discussed the possibility of inviting Commissioners Spingler and Schaeffer to a future meeting to get a sense of their perspective on the forecast and the larger liability issues. No definitive decision was made on this topic during the meeting.
4. Pension, OPEB and Compensated Absences Presentation: In preparation for the next special Board of Commissioner meeting scheduled for Tuesday February 21, 2012, Mr. White stepped through the draft memorandum and draft presentation previously prepared by Committee member Jim Bowes. The review resulted in reorganizing the information to move the detailed actuary information to an exhibit section and to include definitions and liability values of the three categories up to the front of the memo and presentation. Further, the Committee wanted to see an OPEB forecast similar to the MMO forecast which tracked an expense line through 2017 and wanted to be sure that the presentation included timeframes for when future decisions might be made. Finally, the Committee wanted to see the forecast assumptions be updated to include a phased in OPEB expense included in the presentation (as the last slide).
5. Working Group Updates – Mr. White provided a brief update on the 2011 audit progress, including a discussion on the hiring of Robert Tate, CPA to oversee the development of the audited financial statements.
6. Public Participation – No members of the public attended.

There being no further business, the meeting adjourned at approximately 9:05 p.m.

PENSION/OPEB PROJECT TIMELINE

2012

MARCH

- Agree on CARFAC Goal
- Propose approach in terms of manpower and funding for 3rd party work
- Confirm agreement with Bill, Bob Z and the Commissioners ([in what forum?](#))

APRIL

- Meet with Working Group (first week of April) and assign tasks and deadlines, thereafter meet as needed – at least monthly
- Update CARFAC regularly, [as appropriate](#)

MAY

- Research or have researched:
 1. General
 - Identify negotiating teams and bring them into the process
 - Deep dive local township practices and approach to reform, if any
 - Develop for review state of the art around the country for dealing with related fiscal challenges
 - Identify source of already available public private market data
 2. Pension
 - Terms & expiration of CBAs
 - Requirements of Act 600 and Act 205
 - Determine what is required by law and what is practice
 - Review State Auditor's report on Radnor Pension Practices
 3. OPEB
 - Deep dive into local and national practices concerning OPEB
 - Project OPEB pay as you go for 5, 15 and 30 years
 - Closer review of OPEB Survey – check applicability to our situation
 - Understand the dynamics of OPEB liability and related assumptions
 - Understand allocation of OPEB Liability between current employees and retirees

JUNE

- Present findings and recommendations to CARFAC and Township Manager
- Present findings and recommendations to Commissioners ([Forum? Most likely the executive session because this is a personnel matter](#))

JULY

AUGUST

- Prepare presentation to representatives of Bargaining Units
- Prepare Citizen Education piece [\(how & when to you propose to roll this out?\)](#)

SEPTEMBER – DECEMBER

- Incorporate recommendations into budget [\(I thought the FOP and RATE contracts expired at the end of 2013. If so, would they impact the 2013 budget?\)](#)
- Commence informal discussions with interested parties

Radnor Township, PA
 Volunteer Contribution for Services Program (VCSP)
 Proposed Program Worksheet



	Year	Villanova	Cabrini	Eastern	Annual Total
Exempt RE Tax (2012) ¹		\$ 684,952	\$ 148,164	\$ 80,950	\$ 914,066
Proposed Annual VCSP		\$ 685,000	\$ 148,000	\$ 81,000	\$ 914,000

Option 1: VCSP Annual Payment with Phase In Plan

Year 1: 33% of 2012 Total	2012	226,050	48,840	26,730	\$ 301,620
Year 2: 66% of 2012 Total	2013	452,100	97,680	53,460	\$ 603,240
Year 3: 100% of 2012 Total	2014	685,000	148,000	81,000	\$ 914,000
Year 4: 100% + Growth Factor ²	2015	780,215	168,572	92,259	\$ 1,041,046
Year 5: 100% + Growth Factor ²	2016	839,511	181,383	99,271	\$ 1,120,165
Year 6: 100% + Growth Factor ²	2017	879,808	190,090	104,036	\$ 1,173,933
Year 7: 100% + Growth Factor ²	2018	910,601	196,743	107,677	\$ 1,215,021
Year 8: 100% + Growth Factor ²	2019	942,472	203,629	111,446	\$ 1,257,547
Year 9: 100% + Growth Factor ²	2020	975,459	210,756	115,346	\$ 1,301,561
Year 10: 100% + Growth Factor ²	2021	1,009,600	218,133	119,383	\$ 1,347,116
Five Year Subtotal		\$ 7,700,816	\$ 1,663,826	\$ 910,607	\$ 10,275,250

Option 2: VCSP Lump Sum Payment Plan

10 Year Lump Sum Gross Obligation ³	6,850,000	1,480,000	810,000	\$ 9,140,000
Proposed Discount	10.00%	10.00%	10.00%	
Resulting VCSP Lump Sum Payment (11/1/2012 \$	6,165,000	\$ 1,332,000	\$ 729,000	\$ 8,226,000
Percentage of Lump Sum to Option 1 total	80.06%	80.06%	80.06%	80.06%
Resulting Lump Sum Discount	19.94%	19.94%	19.94%	19.94%

Footnotes:

1. The 2012 Exempt RE Tax is based on the County's 2012 Assessed values and the Township's 2012 millage rate (excludes School and County portion)

2. Beginning in 2015 and for each subsequent year, annual payments would be calculated using the year-over-year percentage increase in the Township's millage rate. *For estimating purposes only* To project the 2015 - 2017 contributions, the table above uses the Township's current forecast model (pessimistic). For years 2018 - 2021, a consistent growth percentage was used:

2015	13.90%	From Township Forecast (pessimistic assumption)
2016	7.60%	From Township Forecast (pessimistic assumption)
2017	4.80%	From Township Forecast (pessimistic assumption)
2018	3.50%	Estimated Future Growth Assumption
2019	3.50%	Estimated Future Growth Assumption
2020	3.50%	Estimated Future Growth Assumption
2021	3.50%	Estimated Future Growth Assumption

3. The 10 year lump sum gross obligation eliminates the phase-in discounts and eliminates the annual obligation growth rates that begin in year 4 (2015). The resulting calculation is the 2012 VCSP x 10 years = gross lump sum (before any discount is applied)

Radnor Township, PA
 Volunteer Contribution for Services Program (VCSP)
 Proposed Program Worksheet



Annual Installment Program Option				
Year	VU	CU	EU	Total
1	226,050	48,840	26,730	301,620
2	452,100	97,680	53,460	603,240
3	685,000	148,000	81,000	914,000
4	780,215	168,572	92,259	1,041,046
5	839,511	181,383	99,271	1,120,165
6	879,808	190,090	104,036	1,173,933
7	910,601	196,743	107,677	1,215,021
8	942,472	203,629	111,446	1,257,547
9	975,459	210,756	115,346	1,301,561
10	1,009,600	218,133	119,383	1,347,116
total	7,700,816	1,663,826	910,607	10,275,250

Lump Sum Program Option				
Year	VU	CU	EU	Total
1	685,000	148,000	81,000	914,000
2	685,000	148,000	81,000	914,000
3	685,000	148,000	81,000	914,000
4	685,000	148,000	81,000	914,000
5	685,000	148,000	81,000	914,000
6	685,000	148,000	81,000	914,000
7	685,000	148,000	81,000	914,000
8	685,000	148,000	81,000	914,000
9	685,000	148,000	81,000	914,000
10	685,000	148,000	81,000	914,000
total	6,850,000	1,480,000	810,000	9,140,000
Discount	10.00%	10.00%	10.00%	
Lump Sum	\$ 6,165,000	\$ 1,332,000	\$ 729,000	8,226,000

Annual Installment - Resulting Department Funding				
	Police	Fire	PW	Total
1	100,530	100,530	100,560	301,620
2	201,060	201,060	201,120	603,240
3	304,636	304,636	304,728	914,000
4	346,981	346,981	347,085	1,041,046
5	373,351	373,351	373,463	1,120,165
6	391,272	391,272	391,389	1,173,933
7	404,967	404,967	405,088	1,215,021
8	419,140	419,140	419,266	1,257,547
9	433,810	433,810	433,940	1,301,561
10	448,994	448,994	449,128	1,347,116
	3,424,741	3,424,741	3,425,768	10,275,250

Lump Sum Payment - Resulting Department Funding				
	Police	Fire	PW	Total
Lump Sum:	2,741,726	2,741,726	2,742,548	8,226,000
1	274,173		274,255	548,428
2	274,173		274,255	548,428
3	274,173		274,255	548,428
4	274,173		274,255	548,428
5	274,173		274,255	548,428
6	274,173		274,255	548,428
7	274,173		274,255	548,428
8	274,173		274,255	548,428
9	274,173		274,255	548,428
10	274,173		274,255	548,428
	2,741,730		2,742,550	5,484,280

Year	Township Revenues (Normal Growth)	Forecasted VCSP Revenues	Percentage of VCSP to Total Revenues
2012	34,873,547	301,620	0.86%
2013	35,062,226	603,240	1.72%
2014	35,651,162	914,000	2.56%
2015	36,260,247	1,041,046	2.87%
2016	36,886,285	1,120,165	3.04%
2017	37,534,502	1,173,933	3.13%
2018	38,472,864	1,215,021	3.16%
2019	39,434,686	1,257,547	3.19%
2020	40,420,553	1,301,561	3.22%
2021	41,431,067	1,347,116	3.25%

Footnote: With regard to the Fire Company's portion of lump-sum payments, the Township will immediately forward the full amount to the Radnor and Bryn Mawr Fire Companies (based on an allocation formula that will be based on the percentage of service calls to the universities).

VCSP per Student			
Enrolmnt	VU	CU	EU
	10,482	3,580	2,713
2012	\$ 21.57	\$ 13.64	\$ 9.85
2013	\$ 43.13	\$ 27.28	\$ 19.71
2014	\$ 65.35	\$ 41.34	\$ 29.86
2015	\$ 74.43	\$ 47.09	\$ 34.01
2016	\$ 80.09	\$ 50.67	\$ 36.59
2017	\$ 83.94	\$ 53.10	\$ 38.35
2018	\$ 86.87	\$ 54.96	\$ 39.69
2019	\$ 89.91	\$ 56.88	\$ 41.08
2020	\$ 93.06	\$ 58.87	\$ 42.52
2021	\$ 96.32	\$ 60.93	\$ 44.00

As compared to Table 3 of the PILOT Report (Kenyon & Lngley, 2010, p22)