

Citizens Audit Review & Financial Advisory Committee (CARFAC)

December 5, 2012

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

Agenda:

1. Approval of Minutes from November 14, 2012 Meeting (attached)
2. Discussion with Commissioners re: CARFAC Accomplishments & 2013 Priorities Memo (attached)
3. Committee Updates:
 - a. Planning: Update on December 10th Meeting
 - b. Operations: Act 511 Auditor Meeting/ 2013 projects
 - c. Audit: Recap of Pension Audit Exit Conference and Financial Audit timeline
4. Schedule January – June 2013 meetings (reference calendar attached)
5. General Discussion
6. Public Participation
7. Adjourn (the goal will be no later than 9:00PM)

NOTES:

Citizens Audit Review & Financial Advisory Committee
November 14, 2012, 7:00 p.m.
Radnor Township Municipal Building
Finance Department, 2nd Floor
301 Iven Avenue, Wayne, PA 19087

DRAFT

Meeting Minutes

The meeting was called to order by the Committee Chair, Karl Bupp, at 7:00 p.m. The meeting was attended by Karl Bupp, Mark Blair, Joe Ellis, Jerry Linden, and Leigh Gourmand. Other Committee members unable to attend for cause included Jim Bowes, Laurent Chardonnet and Ed Caine. Leigh Gourmand was able to join the meeting through the review and approval of the prior meeting minutes and then was excused for cause. The meeting was also attended by Robert Zienkowski, Township Manager, Bill White, Township Finance Director and Bob Tate, Township Assistant Finance Director. No members of the public were present.

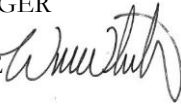
The Committee discussed the following items:

1. **Approval of Minutes:**
 - a. Public Meetings:
 - i. September 19, 2012 – Approved as drafted
 - ii. October 10, 2012 – Approved as drafted
 - b. Budget Work Sessions:
 - i. September 19, 2012 – Approved as amended to include K. Bupp at the mtg.
 - ii. September 24, 2012 – Approved as drafted
 - c. Executive Session Meeting with Board of Commissioners
 - i. September 27, 2012 – Approved as drafted
2. **2013 Budget Process Update:** The Finance Director updated CARFAC on the progress to-date regarding the budget review process. Items noted included the Board of Commissioners' feedback and the subsequent memorandum from the Administration to the Board reconciling the changes in revenue and expenditures (memo is attached for reference). Further discussion regarding the capital plan and funding options was also discussed. It was determined that this item should be revisited in January after the 2013 was approved (with the understanding that the Plan and the Budget could be amended subsequently).
3. **Auditor General's 2010 and 2011 audit of the Township's Pension Plans:** The Finance Director provided an overview of the State's audit process and discussion of the preliminary findings anticipated. It was noted that the audit exit conference is scheduled for Tuesday November 27, 2012 at 2:00pm and all members of the CARFAC were invited to attend with Ed Caine already confirmed to attend.

4. **Accounting Policy and Procedure Manual Update:** The Finance Director updated CARFAC on the Board's adoption of the manual and discussed the possibility of having the Operations Working Group work with the Administration moving forward to review the manual and make on-going improvements. It was noted that the Administration should look at creating certain internal compliance reviews throughout the manual in addition to relying on the independent audit. (Late in the meeting, this item was added to the CARFAC's memorandum to the Board of Commissioners regarding 2012 accomplishments and 2013 priorities).
5. **Discussion of presentation of the Pension/ OPEB report:** CARFAC discussed the plan moving forward and elected to schedule a special public meeting with the Board of Commissioners for December 10, 2012 at 7:00pm to present their findings on the Pension / OPEB report. CARFAC also decided to put together a pre-recorded presentation that will be played at the 12/10 meeting and that they would work with the Finance Director during the last week in November to get that put together. The goal was to have the presentation recorded and ready for CARFAC's review at the December 5th meeting. The Planning Working Group agreed to work with the Finance Director to get this accomplished.
6. **Review of CARFAC's memorandum to the Board of Commissioners regarding 2012 accomplishments and 2013 priorities:** CARFAC reviewed the draft memorandum that was distributed by Mr. Blair and commented on by Mr. Bupp [all earlier in the week]. The Committee elected to add "Swaption Analysis" as item e. under the Planning/Budgeting Working Group and also to add "Accounting Manual Review" and "Open Space Cost Analysis" as items c. and d. under the Operations Working Group. It was then agreed that Mr. Blair would make the final revisions and distribute to the group by November 15th. From there, the final memorandum was going to be forwarded to the Board of Commissioners and Administration by Chairman Bupp along with an invitation to the Board, especially the Finance Committee, to attend CARFAC's December 5, 2012 meeting to review the memo and 2013 priorities.
7. General Discussion: None
8. Public Participation: None

Being no further business, the meeting was adjourned at 8:50 p.m.

2013 Budget Memorandum

TO: ROBERT A. ZIENKOWSKI, TOWNSHIP MANAGER
FROM: WILLIAM M. WHITE, DIRECTOR OF FINANCE 
SUBJECT: AMENDMENTS TO TOWNSHIP MANAGER RECOMMENDED BUDGET [v.1 to v.2]
DATE: NOVEMBER 7, 2012
CC:



**Finance
Department**

The purpose of this memorandum is to provide a detailed recommendation and reconciliation of the budgetary changes resulting from the November 7, 2012 Public Hearing. Please note that the only change that was formally mandated by the Board was the reduction in the parking ticket fee from \$25 down to \$20. The reduction in the anticipated rear door collection fee is the result of an assumption correction as pointed out by the Board during the public hearing. The proposed expenditure budget reductions represent the Township Manager's recommendations for reduction to offset the reduction in the revenues and maintain a balanced General Fund budget for 2013.

	Pg.	v.1	v.2	Difference	Notes
REVENUES:					
Parking Ticket Inc.	99	\$ 190,400	\$ 102,700	\$ (87,700)	Ticket reduction from \$25 to \$20
Rear Door Collection Inc.	99	139,725	110,000	(29,725)	Revenue assumption change
Total Revenue Changes				<u>\$(117,425)</u>	
EXPENDITURES:					
Healthcare Expenses ¹	Var	\$ 4,447,274	\$ 4,442,050	\$ (5,224)	Actual 2013 premiums are known
Willows Fund Transfer ²	119	48,916	-	(48,916)	No Willows subsidy in 2013
Transfer to OPEB Liability ³	119	158,718	95,433	(63,285)	Reduction necessary to balance
Total Expenditure Changes				<u>\$(117,425)</u>	

¹ **Healthcare Expenses:** The v.1 version of the Township Manager Recommended budget included an assumed expense growth rate of 6.5%, as provided by the DVHIT (the provider). Since publication, the Township has now received the actual 2013 healthcare premium growth rate which was closer to 6.1%.

² **Willows Fund Transfer:** (a) In addition to eliminating this transfer, the 2013 Township Manager budget for the Willows fund is being amended to better reflect anticipated activity (attached) and (b) since the Willows Fund has cash reserves, the elimination of the General Fund subsidy will require the Willows Fund to draw down on its cash reserves .

³ **Transfer to OPEB Liability:** This transfer is separate from the excess fund balance policy adopted by the Board. Instead, to the extent that excess revenues exist in the General Fund, the recommendation is to sent those excesses to the Post Employment Obligation Fund. With the decreases in assumed revenues, the Administration is recommending that this amount be reduced accordingly as well (after the healthcare and Willows subsidy reductions).

To: Radnor Township Board of Commissioners Finance Committee
From: Citizens Audit Review & Financial Advisory Committee ("CARFAC")
Date: November 14, 2012
Re: Conversation to discuss 2013 priorities

We'd like to discuss how to be of greatest service to the Board of Commissioners and our citizens in 2013. We request a meeting with the Board's Finance Committee Dec. 5, 2012 at 7:00pm. All Commissioners are welcome.

CARFAC's view of its priorities for 2013:

- 1) Planning & Budgeting
 - a. Continue to work to understand the Pension and Other Post-Employment Benefits ("OPEB") liabilities and educate residents and staff.
 - b. Provide input to Township staff on possible resolution strategies.
 - c. Continue to update and refine the five-year planning model.
 - d. Assist Township staff in development of its 2014 strategic plan.
 - e. Analyze the Swaption.
- 2) Audit
 - a. Continue to work with staff to eliminate Material Weaknesses and Significant Deficiencies while reducing Deficiencies identified by the auditors.
 - b. Continue to work with staff to improve financial controls and processes.
- 3) Operations
 - a. Continue to work with staff on ways to streamline and enhance financial operations at the Township to improve service and reduce costs.
 - b. Assist in the specification, selection and implementation of a new financial system for the township.
 - c. Work with Township staff to enhance, refine and add to the accounting policy and procedure manual.
 - d. Provide analysis of the revenues and costs of the Township's open space.

CARFAC's view of its accomplishments since inception in 2011:

- 1) Planning & Budgeting
 - a. Worked with Township Staff to develop a five-year operating and capital planning model for Radnor Township.
 - b. Worked with Township staff and outside advisors to develop a comprehensive understanding of the township's pension and OPEB liabilities. Our report included quantified action steps to be considered to help address an out-of-market benefit structure and reduce the long-term liability. More immediately, during this project, we discovered that the health care trust in which the Township participates was overcharging the Township for retiree healthcare due to misinformation regarding the treatment of Medicare-eligible retirees. Consequently, the Township's monthly medical insurance decreased by \$11,000. This will result in on-going annual savings of about \$132,000.
 - c. Met with Township department heads for in-depth 2013 budget reviews. These conversations produced a budgetary reduction of \$369,685 as compared with initial department requests.

2) Audit

- a. 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:

	2008	2009	2010	2011
Material	11	10	6	2 *
Significant	4	3	4	1 *
Other	18	14	17	14 *
Total	33	27	27	17

* For 2011, several of the Management Letter comments were addressed in 2011, but still included in the Auditor's letter. The following table reflects the total comments after those items are removed:

	2011		
	Noted in Letter	Addressed in 2011	Net Outstanding Matters
Material	2	1	1
Significant	1	1	0
Other	14	5	9
Total	17	7	10

- b. Worked with Township Staff to reduce annual audit fees by \$9,828 or 8.2% during the next three years (2012-2014) through improved audit coordination and preparation.
- c. Worked with Township staff to complete the 2011 Comprehensive Annual Financial Report ("CAFR") in a timely manner. The 2011 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 in 2007.

3) Financial Operations

- a. Reviewed and assisted in the revision of Township collection and audit procedures for Business Privilege Tax and Mercantile Tax returns. This review assisted in the drafting of revised legislation that will streamline the collection process by combining the annual license and return into one filing. It will also significantly improve the Township's ability to quickly and accurately audit Mercantile Tax returns.
- b. Assisted in the design and development of the Voluntary Contribution Payment for Services program by researching alternative tax programs in use by other municipalities.
- c. Reviewed information regarding certain transactions and items in 2012 including:
- i. 2009 Bond Refunding process
 - ii. Biennial Auditor General audit of the Township's pensions
 - iii. Radnor Township Swaption and 2007-2009 Strategic Plans

2013

JANUARY

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FEBRUARY

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MARCH

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JUNE

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JULY

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AUGUST

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SEPTEMBER

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OCTOBER

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NOVEMBER

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DECEMBER

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30	31					

Shaded dates are anticipated 2013 BOC Meetings