

Citizens Audit Review and Finance Advisory Committee
June 1, 2016 (Rescheduled from May 18)
Radnor Township Municipal Building
Finance Department Meeting Room, 2nd Floor
301 Iven Ave., Wayne, PA 19087

Meeting Minutes

Chairman Mark Blair called the meeting to order at 7:12PM. CARFAC members Mark Blair, Jerry Linden, Leo Marte, Mary Hoeltzel, Michael Antonoplos, Ed Caine and Carl Rosenfeld attended. Committee member Jeff Ruben arrived at 8:10pm, as Mr. Antonoplos left due to another appointment. Committee member Marty Dwyer did not attend. Finance Director Bill White and Assistant Finance Director/HR Manager Bob Tate attended on behalf of the Township Administration. Jeff Weiss and Shana Weinzierl of Zelenkofske Axelrod, LLC (“ZA”) attended on behalf of the Township’s independent auditing firm. No members of the public were present. (Action items are italicized)

1. Audit Review:

- a. Mr. Weiss began the discussion by highlighting significant aspects of the 2015 audited financial statements. Topics included a clean opinion letter, GASB 68 (pension liability accounting), a good overall process with some bumps in the road resulting from the new relationship and that in 2015 the Township will publish only a Comprehensive Annual Financial Report (“CAFR”). In past years the Township has produced basic financial statements and a CAFR.

Members of CARFAC made several comments based on their review of the financial statements. First, questions were raised as to the accuracy of the pension liability amount based on the outdated mortality tables used and the seemingly unrealistic discount rate of 7.5 percent. CARFAC agreed that the unfunded liability working group will address these issues this year. Next, members questioned the accounting treatment of refunding transactions on the Schedule 5, Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. It was explained that the accounting treatment differs for current versus advance refunding transactions.

There being no further discussion, Mr. Rosenfeld moved to **recommend that the Board of Commissioners adopt a resolution at its June 13, 2016 meeting to accept the audited financial statements as prepared by Staff.** Mr. Antonoplos seconded the motion. All were in favor.

2. New Business:

- a. Mr. White noted that it is time to review the Township’s investment policy as it has been several years since the last review and because PFM, the pension asset management firm, recommends certain updates. Mr. Rosenfeld asked if the proposed changes had been reviewed and approved by the pension trust committee. Mr. White noted that the pension trust committee lacks the participation necessary to take formal action. Several CARFAC members expressed concerns as to why such a significant element of the township’s organization is not functioning properly. After some discussion, the group agreed to examine

this process. *Mr. White will provide CARFAC with the trust enabling legislation that includes the role of the trust committee, prior to the June 15 meeting.*

3. Old Business:

- a. Stakeholders Report: Mr. White noted that the report was published on the Township's website and delivered to the printer. The report will arrive in mailboxes next week. He apologized for the delay between CARFAC's approval and the publication date.

4. Project Updates:

- a. Audit: The 2015 audit and financial statements were reviewed earlier in the meeting, so no further update was needed other than to state that members of the audit working group will attend the June 13 meeting of the Board of Commissioners. *Members of CARFAC and ZA will meet with the Board prior to the public segment of the meeting to address questions about the audit or the resolution approved unanimously at the June 1 CARFAC meeting.*
- b. Enterprise Resource Planning (ERP) Project: Mr. Linden updated the Committee. Since the last CARFAC meeting, the Board of Commissioners adopted the ERP agreement at its May 9 meeting, and the project kickoff meeting was held earlier today (June 1). Meanwhile, the Infrastructure Technology (IT) infrastructure project is progressing, with the new hardware installed. *The next steps in this project are to migrate the data from the old servers to the new equipment, and to develop a contingency plan for the finance server, should it fail prior to going live with the Tyler solution.* The schedule for doing so has not been determined. No further action items were identified other than to note that the working group will be involved during the implementation of the Tyler software over the next 18 -24 months.
- c. Monetizing Assets Project: Chairman Blair noted that he and Mr. Antonoplos are preparing to inform the Board that CARFAC has completed its assigned tasks. A report, to be reviewed by the full committee at the June 15 meeting, will outline actions taken by CARFAC and document opportunity costs that may be incurred if the Board chooses not to act. *The working group awaits development information from Mr. White; he will provide it by June 6.*
- d. Business Privilege | Mercantile Tax Review: Chairman Blair noted that the work group met on May 4. It determined that legal restraints preclude revisions to the regulations. Hence, the group will review the auditor compensation arrangement and how the auditor works at the direction of the Administration, which specifies which situations call for an audit. The team will work with Messrs. Tate and White to develop educational materials for business and mercantile taxpayers to explain the history and legitimacy of the taxes, simplify compliance and outline escalation procedures when help is needed or there are misunderstandings. *The next meeting is Wednesday, June 15 at 6pm.*
- e. Staffing Level Review: Mr. Ruben had provided CARFAC members with a summary of the conversations, project objectives and action items from the kickoff meeting held on March

13. *Township staff is working on several action items. These include refinement of the presentation of the Township organization chart, clarification of roles and estimation of the cost of a formal staffing study. The working group meets next on June 8 at 7pm.*
- f. Financial Control Review: Ms. Hoeltzel reported that a kickoff meeting was held on March 13. She has since reviewed the control measures. She discovered no breaches and saw no need for improvements at this time. In light of this happy state of affairs, the next step is to incorporate this project into the ERP project. That is, control measures will be reviewed as the software is implemented and business processes are developed. She offered to participate and to arrange for a representative from Price Waterhouse Coopers (“PWC”) to provide pro-bono reviews. *An introductory meeting of the Township staff and the PWC representative will take place by month-end, date and time to be determined.*
- g. Unfunded Liability Review: Mr. Marte updated the Committee. The April 20 kickoff meeting identified several areas for review. Follow-up meetings will be scheduled after other projects are completed. Pursuant to discussions during the audit review earlier in the evening, specific reviews of the discount rate, mortality tables and their relationship with the annual pension expense will be evaluated. *The working group will meet prior to the July 20 regular meeting, date and time to be determined.*
- h. Capital Program Review: The working group met on May 4 and again on June 1. Preliminary determinations suggest that a combination of cash and bond financing might be the best way to fund the program in its current form. *Mr. White will make several adjustments to the capital plan and forecasting spreadsheets per the working group’s discussion. He will complete these improvements prior to the next working group meeting, June 28 at 6pm.*
- i. Credit Rating Review: Mr. Rosenfeld noted his intention to begin these conversations after the audit project is complete. As the audit will likely be approved on June 13, *he will schedule a kickoff meeting prior to the July 20 regular meeting. Date and time to be determined.*
5. Public Comment: None
6. Being no further business, CARFAC adjourned at 9:12PM