



# Upper Darby Key Financial Background and Concerns

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# Overview of Presentation

- On April 30, 2021, and August 18, 2021, Upper Darby participated in Act 111 interest arbitrations with its police union and fire unions
- My company analyzed Upper Darby's financial condition and employee compensation and presented this information at the interest arbitration
  - I presented similar information to Council on October 6, 2021 at an executive session
- I was asked to publicly present information at tonight's Council meeting to provide the public with an understanding of some of the key financial concerns and background that I identified during the interest arbitration process and that stood out to me
- The two key areas that I will discuss tonight are Upper Darby's declining and low fund balance (rainy day fund) and its massive unfunded retiree health care (OPEB) liabilities

# **Upper Darby Declining and Low Fund Balance**



# Declining and Low Fund Balance

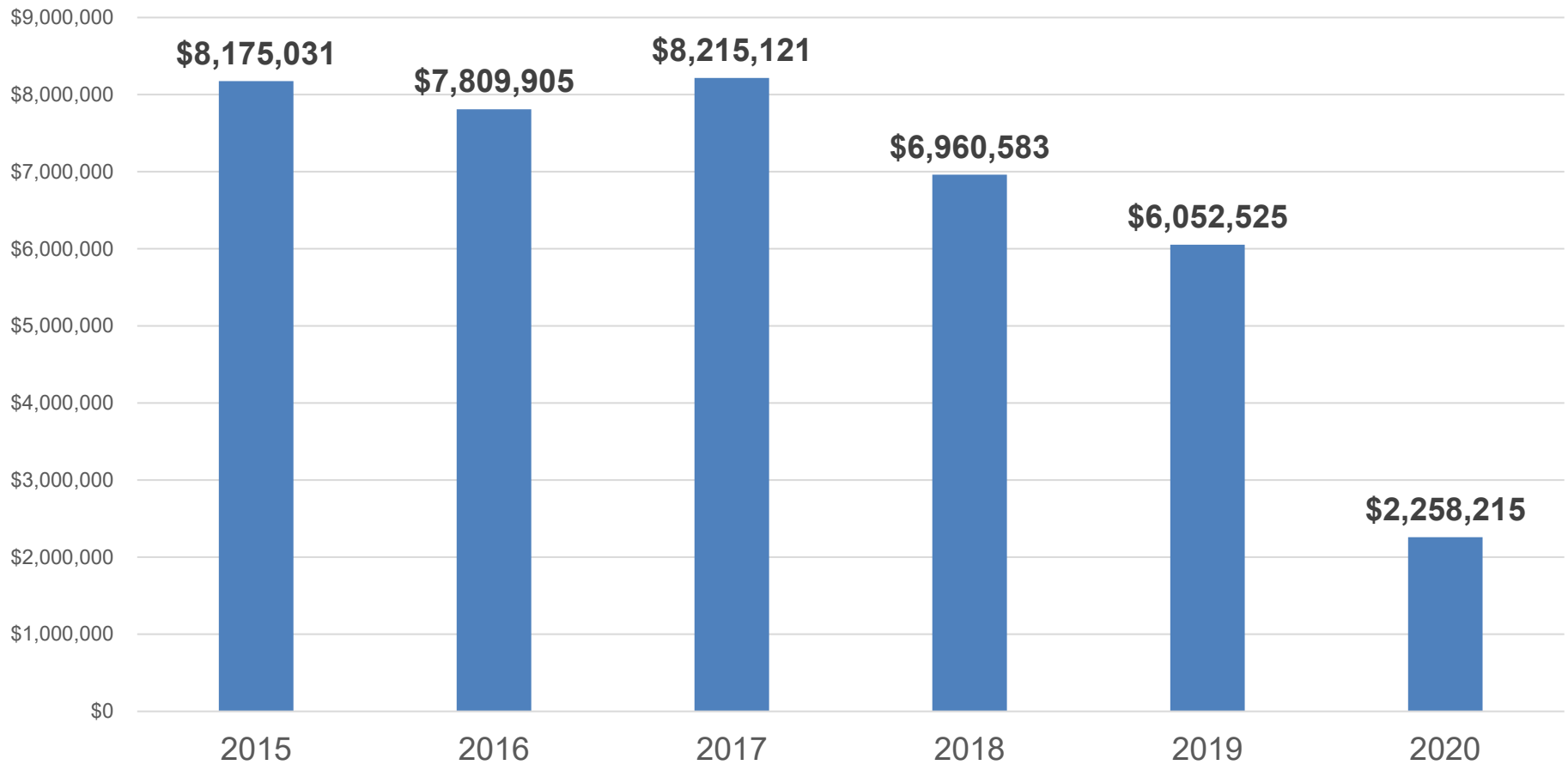
- Upper Darby's general fund balance (rainy day fund) has significantly declined over the last six years **despite** three tax increases over the same period
  - Why?
    - Over this period, expenses were more than revenues in 2016, 2018, 2019 and 2020 (COVID). 2020 was impacted by COVID but the trend really began in 2018 and real estate taxes were also increased during this period in 2016, 2017 and 2019
- Upper Darby's general fund balance ratio (general fund balance divided by general fund expenses and shown as a percentage), which is a key indicator of financial health, was 2.9% in 2020 which is well below the Government Finance Officers' Association's best practice of 16.7%



# General Fund Balance

Upper Darby's unrestricted general fund balance has declined by \$5,916,816 or 72.4% since 2015 despite three property tax increases over this period

Upper Darby General Fund Balance 2015-2020



Source: 2015-2020 Upper Darby Audits.





# General Fund Revenues vs. Expenses 2015-2020

Upper Darby has run general fund operating deficits in four of the last six years and in each of the last three years

Upper Darby General Fund Revenues vs. Expenses (2015-2020)



Source: 2015-2020 Upper Darby Audits.

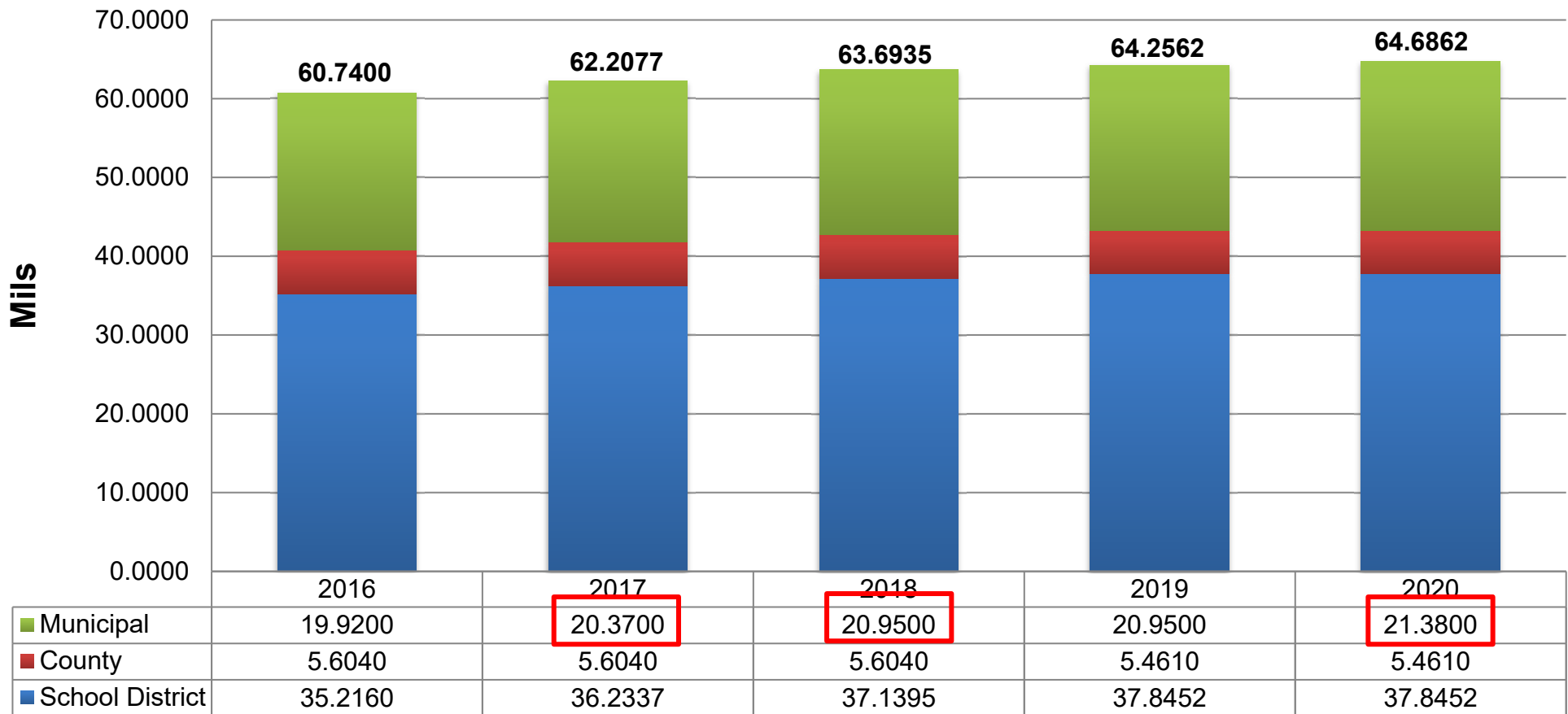




# Upper Darby Resident Millage Rates

Total Upper Darby millage (including school district and county) increased by 3.9462 mils or 6.5% from 2016 to 2020. Upper Darby raised property taxes in 2016, 2017 and 2019 for 2017, 2018 and 2020

## Upper Darby Resident Millage Rates (2016-2020)



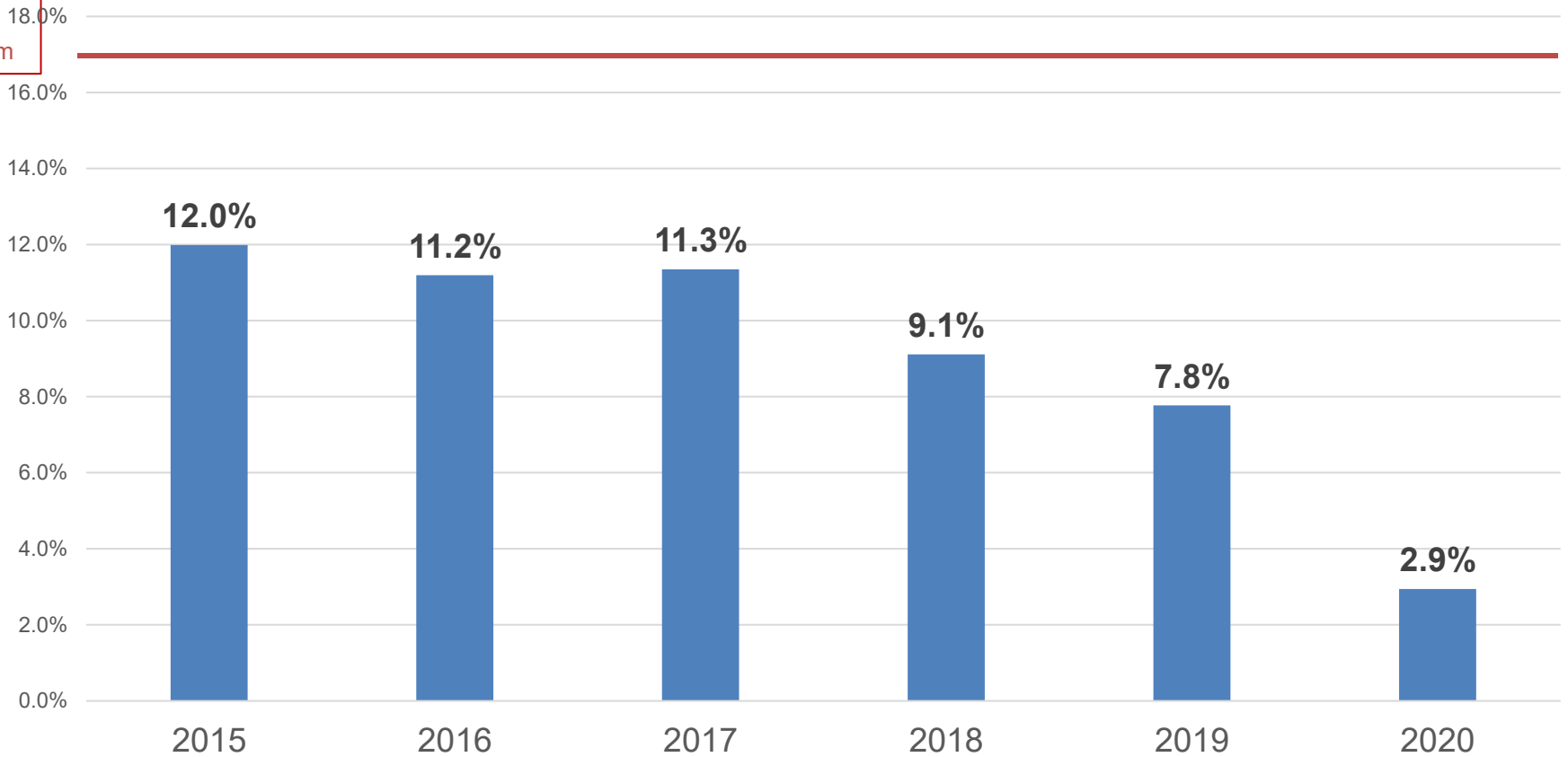


# General Fund Balance

Upper Darby's unrestricted general fund balance ratio has declined by 75.8% since 2015 and is well below the GFOA best practice minimum of 16.7%. To meet the best practice minimum, the fund balance should be \$12,831,875 – or \$10,573,660 more than it is now

Upper Darby General Fund Balance as a % of General Fund Expenses 2015-2020

GFOA Best Practice Minimum



Source: 2015-2020 Upper Darby Audits.





# **Upper Darby Massive Retiree Benefit Liabilities**



# Massive Unfunded Retiree Health Care (OPEB) Liabilities

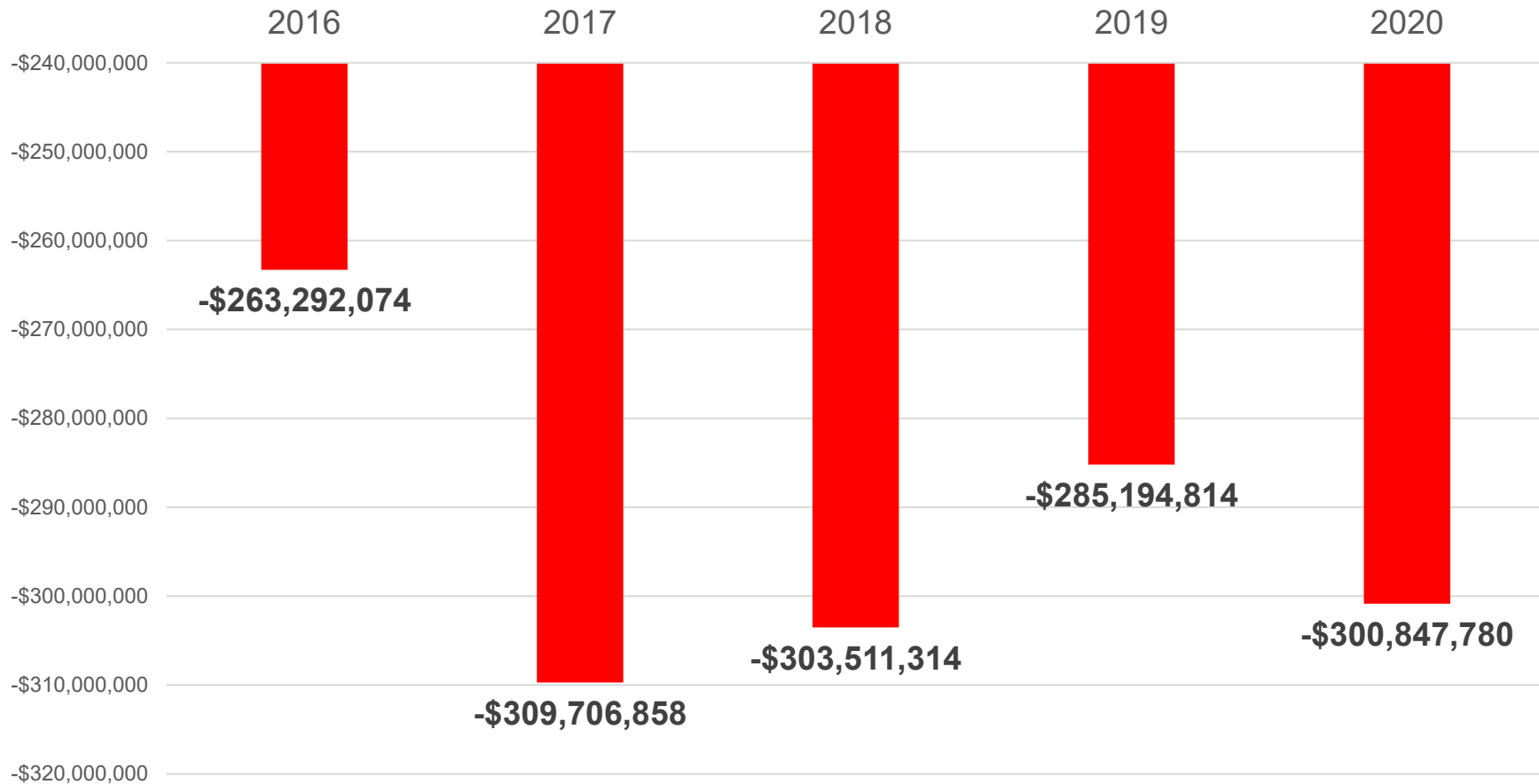
- Upper Darby's unfunded retiree health care liabilities (also called OPEB liabilities) are among the worst in the state on a per resident basis
  - These are liabilities associated with health care provided to retired Upper Darby employees
- As of December 2020, Upper Darby's unfunded retiree health care liability was \$300,847,790
- These unfunded liabilities have been greater than a quarter of a billion dollars (\$250,000,000) since at least 2016
- The City's actuary projects that actual retiree health care payments will increase by 43% by 2028



# Historical Unfunded Retiree Health Care (OPEB) Liabilities

Upper Darby's retiree health care (OPEB) liabilities have been greater than a quarter of a billion dollars since at least 2016.

**Upper Darby Retiree Health Care (OPEB) Liabilities 2016-2020**



Source: Upper Darby 2020 Audit, p. 85 and 2017 Audit, p. 68





# OPEB Liabilities of 10 Most Populous Pennsylvania Municipalities

Rank	Jurisdiction	County	Population	Net OPEB Liability	Per Resident OPEB Liability
1	Upper Darby	Delaware	82,887	\$285,194,814	\$3,441
2	Scranton	Lackawanna	77,054	\$205,891,645	\$2,672
3	Lancaster	Lancaster	59,433	\$139,648,762	\$2,350
4	Pittsburgh	Allegheny	302,205	\$437,666,111	\$1,448
5	Philadelphia	Philadelphia	1,579,075	\$1,823,900,000	\$1,155
6	Allentown	Lehigh	120,915	\$90,921,587	\$752
7	Reading	Berks	88,232	\$64,569,309	\$732
8	Erie	Erie	97,263	\$22,805,339	\$234
9	Bethlehem	Lehigh & Northampton	75,461	\$16,616,389	\$220
10	Bensalem	Bucks	60,428	\$11,073,563	\$183

Source: Population from American Community Survey 2015-2019 5-Year Estimates; Net OPEB liabilities from audits as of 12/31/2019 except Philadelphia which is as of 6/30/2019

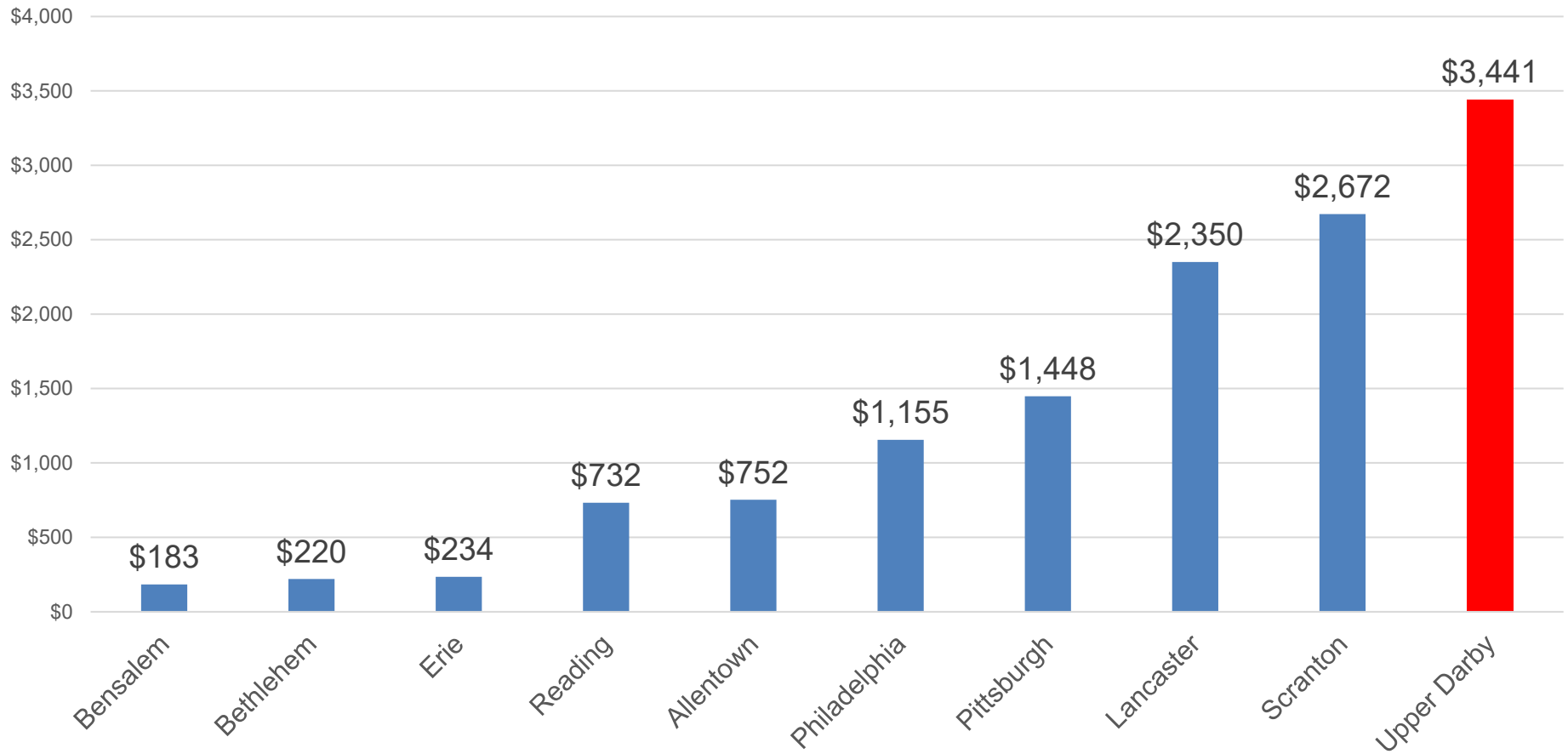




# Per Resident Net OPEB Liability

On a per capita basis, Upper Darby's OPEB liability is by far the worst among the most populous ten Pennsylvania municipalities and nearly three times more than Philadelphia

Per Capita Net OPEB Liability of 10 Largest PA Municipalities

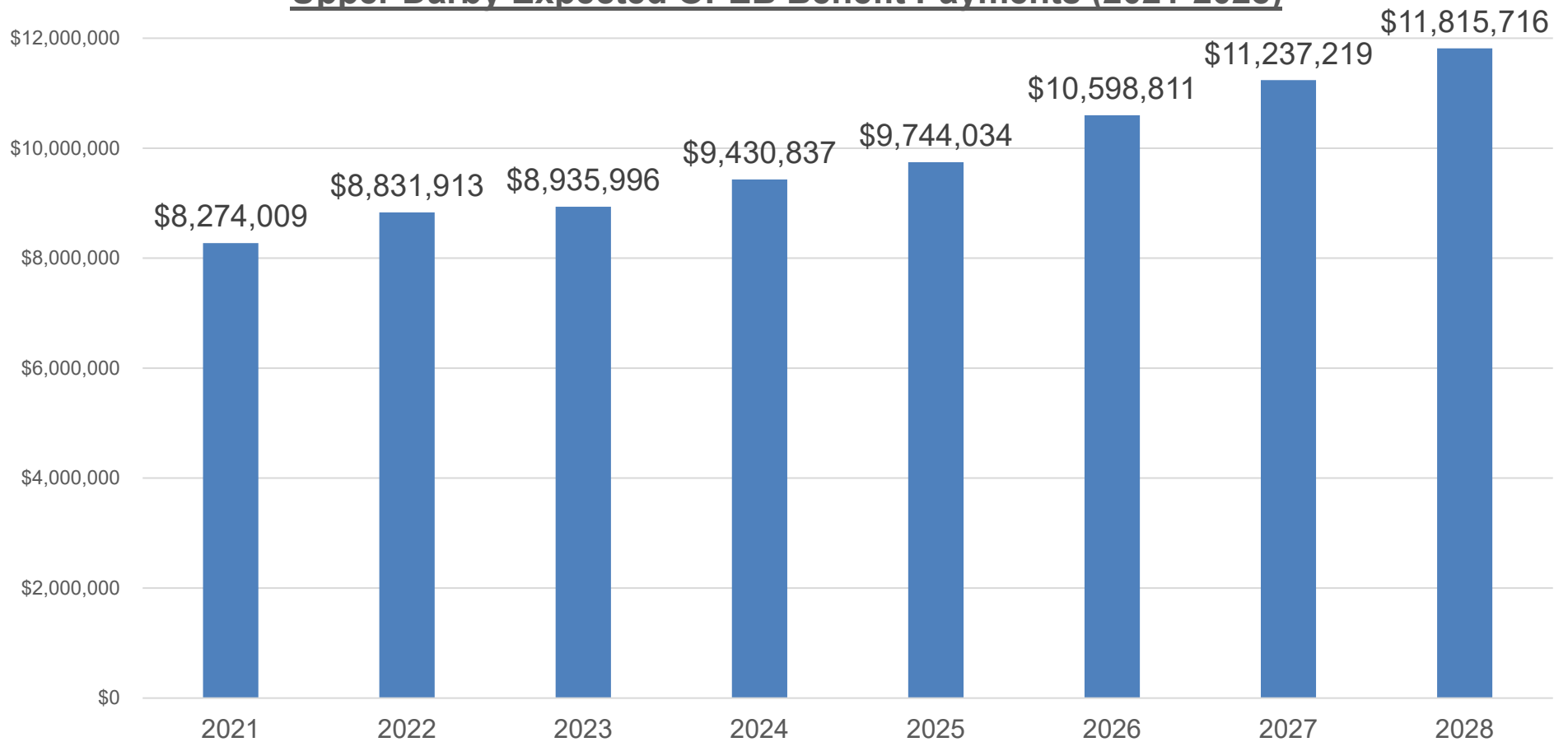




# Expected OPEB Benefit Payments

Upper Darby's expected OPEB benefit payments in 2021 were \$8,274,009 growing by \$3,541,707 or 43.8% by 2028.

**Upper Darby Expected OPEB Benefit Payments (2021-2028)**



Source: Upper Darby GASB 75 Valuation as of 1/1/2019, p. 7





# Conclusion

## ■ Declining and Low Fund Balance

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