

**Finance Committee Meeting Minutes
Montgomery Township
Thursday, January 26, 2012**

The Finance Committee meeting of January 26, 2012 was called to order by Chairman Anthony Diasio at 7:35 pm.

Present at the meeting were:

Committee Members: Anthony Diasio, Allan Nappen, John Holsinger, James Kelly and John Dale
Finance Director: Shannon Q. Drosnock
Accounting Supervisor: Victoria M. Zidek

On a motion by Mr. Holsinger, seconded by Mr. Nappen, the Minutes of the June 23, 2011 meeting were approved. On a motion by Mr. Kelly, seconded by Mr. Holsinger, the Minutes of the December 15, 2011 meeting were approved.

The Committee held a reorganization meeting to appoint a new Chairman and Vice-Chairman. Mr. Diasio was appointed temporary Chairman to entertain nominations for Chairman. Mr. Kelly and Mr. Dale both nominated Mr. Holsinger for Chairman. On a motion by Mr. Diasio, seconded by Mr. Kelly, Mr. Holsinger was appointed Chairman. Mr. Holsinger entertained nominations for Vice-Chairman. Mr. Diasio and Mr. Kelly both nominated Mr. Dale for Vice-Chairman. On a motion by Mr. Diasio, seconded by Mr. Kelly, Mr. Dale was appointed Vice-Chairman.

Ms. Drosnock reviewed for the committee members the information from the various financial reports prepared for the Committee and the Board of Supervisors as of December 31, 2011. Listed below is the information from those reports:

- General Fund 01 – Year Ending Fund Balance

The balance in the General Fund as of December 31, 2011 is projected at \$3.95M subject to accrual adjustments during the 2011 audit. This is an increase of \$1.42M over the balance at the beginning of 2011. Township staff is proposing to transfer a portion of this fund balance in the amount of \$1.2M to the Capital Fund to pre-fund the 2012 Equipment Replacement Reserve allocation and the 2012 14 Year Road Plan allocation as stated in the 2012 Budget, and the balance to increase the Open Space allocation. The General Fund cash balance will be \$2.6M which is consistent with the Township's policy of maintaining a minimum fund balance in the range of 15-20% of budgeted expenditures.

- General Fund Revenues

During 2011 the Township received \$11.94M or 106.34% of budgeted revenues for the year as compared to \$11.05M received in 2010, an increase of 8.1%. This increase was a combination of increased receipts in all three major revenue sources: Taxes, Permits and Licenses, and Grants and Others. Several of the specific revenue sources are discussed in more detail below:

- Real Estate Taxes – Total Real Estate Taxes received in 2011, including current and prior year receipts, were \$1.527M or 97% of budget. In

comparison, at the end of 2010, Real Estate Taxes received were \$1.568M. Overall, Real Estate Taxes were slightly less than expected due to the number of assessment appeals awarded by the County. All delinquent taxes have been reported to the Montgomery County Tax Claim Bureau for placement of liens.

- Transfer Taxes – Transfer Taxes received in 2011 were \$759K or 26% above budget. In comparison, at the end of 2010, Transfer Taxes were \$545K. The 34% increase is a result of an increase in new residential transactions as well as an increase in commercial real estate transactions. This is one of a few strong indicators that the economic downturn has stabilized in the Township.
- Mercantile Taxes – Mercantile Taxes received in 2011 were \$2.027M or 10.2% above budget. In comparison, at the end of 2010, Mercantile Taxes were \$1.827M. Each quarter of this year showed a similar trend when compared to prior year. This is another strong indicator that the economic downturn in the Township has stabilized.
- Amusement Tax – Amusement Tax receipts were \$72.5K or 92.9% of budget in 2011 as compared to \$106K in 2010. In 2011 this revenue was budgeted at 74% of 2011 receipts due to the closing of Garden Golf Center which generated approximately \$30K in annual revenues to the Township.
- LST Tax – LST receipts were \$431K or 91.7% of budget for 2011. This was the first year the Township received LST revenues and as such there is no comparative data from 2010. The fourth quarter receipts are not due until the end of January 2012 and will be recorded in the 2012 fiscal year. An additional 25% of LST receipts were collected and allocated to the Fire Fund as provisioned in the 2011 budget.
- Business Privilege Tax – Business Privilege Tax receipts were \$766K, 98.8% of budget for 2011 vs. \$758K in 2010, an increase of 1%. There was an unanticipated refund of \$74K to Movers Specialty; excluding this refund, the tax receipts would have exceeded budget by \$65K.
- Earned Income Tax – Earned Income Tax receipts were \$3.862M or 2.5% above budget in 2011 vs. \$3.897M in 2010. This decrease from prior year was directly due to the reinstatement of the allocation of the \$100K to the Park and Recreation Fund. The analysis attached as Exhibit F to this report shows that overall EIT collections, for all funds, end the year 1.57% (\$65K) above 2010 at approximately \$4.222M.
- Permits and Licenses – Total Permits and Licenses revenues were \$1.183M or 15.5% above budget in 2011 vs. \$1.046M in 2010. Building Permit revenues were up 19.8% compared to 2010. New residential construction was up for the years as was permit revenues related to improvements on existing residential properties in the Township. Cable TV franchise fee payments continued to be above budget and exceeded prior year collections for the fifth consecutive year.

- Interest – Interest receipts were \$20K or 78.1% of budget in 2011, the same as 2010. Interest rates have leveled for the year at .35% in the Township's operating accounts. In August the Board approved the investment of \$13M into 1 year CD's earning interest at a rate of .60%. Staff will continue to work with the Finance Committee to provide the Board with recommendations on investment vehicles in an effort to maximize interest earnings.
- Grants and other Revenues – Total Grants and Other Revenues were a historical \$1.033M or 48.3% above budget in 2011 as compared to \$773K in 2010. This is directly related to a one-time 70% increase in funding for the Pension State Aid program. The 2011 funding was approximately \$610K as opposed to the 2010 funding of \$358K. The Governor's office has notified municipalities that this is a one-time increase related to a policy change in collection dates at the State level.

- General Fund 01 - Expenditures

Expenditures (including Inter-Fund Transfers) for 2011 were \$10.665M or 95.6% of Budget as compared to \$10.460M in 2010, an increase of 2%. Overall, departmental expenditures throughout the year fell below approved budget levels.

- Expenditure Activity by Departments:

- Administration – Expenditures in 2011 were \$1.039M compared to \$1.069M in 2010, a drop of 2.8%. This drop is an overall decrease in administrative expenses including public information and postage (reduced by the use of technology), consulting services (including legal and general engineering) and public utilities (as a result of the vendor changes in electric). Overall, administrative expenses fell 13% below budget.
- Finance and Tax Collection – Expenditures in 2011 were \$738K or 93.3% of budget compared to \$791K in 2010. A majority of decrease is related to an open position in the Department which has been vacant for 8 months.
- Police – Expenditures in 2011 were \$5.437M in 2011 compared to \$5.370M in 2010, an increase of 1.3% to prior year but 3.5% below budget. The majority of the increase over prior year is attributable to a 4% wage increase per the Collective Bargaining Agreement and an increase in health insurance premiums.
- Planning and Zoning – Expenditures in 2011 were \$820K or 99.6% of budget compared to \$750K in 2010, an increase of 9.3%. The increase is due to higher than budgeted inspection fees as a direct result of the increase in permits issued (subsequently, permit fee revenue) for the year.
- Public Works – Expenditures in 2011 were \$1.955M or 93.5% of budget versus \$1.886M in 2010, an increase of 3.7%. The main contributing factor to the increase in expenditures was the replacement of the

Township's street sweeper in 2011; an item budgeted in General Fund but funded through a transfer of equipment replacement reserves in the Capital Fund.

In other business, Ms. Drosnock discussed a few amendments that were approved at the Board of Supervisors meeting held on January 23, 2012. Those amendments were as follows: \$1.2 million surplus transfer, Township is taking up to \$5.5 million in new debt and purchasing policy changes. Ms. Drosnock also discussed GASB 54 regarding fund balance definitions that was previously discussed with the committee. The committee members asked whether or not a survey was going to be conducted with Township residents about what to do with the Univest property adjacent to the Township building. The committee also asked if staff could ask Mr. Birch if he has any suggestions of what the committee can do to help out the Board and Township.

The next meeting will be held on February 23rd.

There being no further business, the meeting adjourned at 8:30 pm.

Respectfully Submitted

Victoria M. Zidek
Accounting Supervisor