

**Finance Committee Meeting Minutes
Montgomery Township
Thursday, June 14, 2012**

The Finance Committee meeting of June 14, 2012 was called to order by Chairman John Holsinger at 7:35 pm.

Present at the meeting were:

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

On a motion by Mr. Kelly, seconded by Mr. Dale, the Minutes of the April 26, 2012 meeting were approved.

Chris Herr from Maillie Falconiero presented the 2011 Comprehensive Annual Financial Report (CAFR) to the committee members. Mr. Herr told the committee members that the audit opinion is free of material misstatement and presented fairly and the Township did not receive a SAS 115 letter, which is a communication, in writing, to management regarding significant deficiencies and material weaknesses in internal controls. Mr. Herr also reviewed the government wide financial statements, General Fund Balance, Pension Trust Fund and budget to actual with the Committee.

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 May 31, 2012. Listed below is the information from those reports:

- Tax Revenue Collections
 - Real Estate Tax collections are down 1.4%, or \$19.7K, as compared to same period prior year. Bills are now in the "face period" which will extend through June 30th. As noted in a previous communication, the significant decrease in collections through last month was related to one commercial taxpayer. This issue has been resolved.
 - Earned Income Tax collections are up 3.4% as compared to same period prior year but slightly below budget for the year by .93%. At this point in time, staff does not feel there is a budget concern for the year as more than half of the year remains.
 - Real Estate Transfer Tax Revenues are flat (within \$300) from May 2011. Tax receipts reported in May represent real estate transactions that took place in April 2012. On average, the second half of the fiscal year shows strong Transfer Tax receipts than does the first half of the year. It should be noted that in 2010 there were 0 commercial transactions through April 30th, in 2011 there was 1 commercial transaction and in 2012 there have been 3 commercial transactions to this point in the year. As the residential transactions from the new homes slow down, the commercial transactions will be the major component of this revenue source.

- Mercantile Tax revenue collections are up 3.9% (\$68.7K) as compared to same period prior year and above budget by 4.51%. Delinquency notices were sent in May to Mercantile/Business Privilege tax accounts that have not filed their 2012 tax returns (for tax year 2011).
- Local Services Tax revenue collections are reporting up 56.7% (\$93.2K) as compared to same period prior year but are 2.28% below budget. It should continue to be noted that same period prior year is not the best benchmark as this time last year the Township only received 1 Quarter of collections whereas in 2012 we have received 2 Quarters of collections. This is a relatively new tax and staff will continue to monitor to better understand the trend.
- Amusement tax receipts are up 18.5% (\$4.3K) as compared to same period prior year. This is one of the smaller revenue streams for the Township.
- Business Privilege Tax receipts are up 18.4% (\$121K) above same period prior year. In May of 2011, these receipts showed a decrease of over \$75K related to a one-time refund for Movers Specialty Corp. This May 2011 decrease explains the significant change in comparative data from last month's report to this report.
- Overall tax receipts are 5.5% (\$331.6K) ahead of same period prior year and approximately \$97.7K above budget for this point in the year.
- Other Revenue Sources
 - Building Permit revenues are up a significant 79.9% (\$175K) compared to May 2011 and approximately 21% above budget. This strong trend has been seen each month of the year to date.
 - Cable TV Franchise Fees are up 4.5% (\$10.6K) contributing to the overall Permits and License Revenues increase of 38.5% (\$191.8K) from same period 2011.
 - Overall Revenues are up 7.6% (\$508K) compared to May 2011. Based on the actual vs. projected revenues in the "General Fund Projected Cash Balance Report" revenues are currently projected to be approximately 8.26% above budget at year end.
- Expenditures
 - Overall year to date expenditures are reporting up 1.6% (\$58K) compared to May 2011 mainly resulting from changes in the Collective Bargaining Agreement with the Police Department effective January 1, 2012. Some of these changes will be offset throughout the year by the decreases in annual health care expenses. Overall expenditures at the end of May, when adjusted up to include the 2011 year end payroll accruals are at 38.6% of budget compared to an expected expenditure rate of 41.6%.

- Based on the actual vs. projected expenditures in the “General Fund Projected Cash Balance Report” attached, expenditures are currently projected to be approximately 1.46% below budget at year end.

In other business, Ms. Drosnock updated the Committee on the Investment Management References she was obtaining. There had been no further references since the last update in May. The Committee is leaning towards a buy and hold strategy or possibly even renewing the CD's for one more year until the market indicators become clearer. There is concern about buying into the bond market now given the current interest rate environment. The Committee asked staff to speak with Upper Merion regarding their strategy as well as to reach out to Univest to obtain current CD rates. The Committee would like to get info to the Board of Supervisors with regards to investment options for one of the August meetings.

The next meeting will be held on July 26th.

There being no further business, the meeting adjourned at 8:55 pm.

Respectfully Submitted

Victoria M. Zidek
Accounting Supervisor