

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

The Finance Committee meeting of July 26, 2012 was called to order by Chairman John Holsinger at 7:35 pm.

Present at the meeting were:

Committee Members: John Dale, Anthony Diasio, John Holsinger, Jim Kelly and Joseph Kobulsky
Finance Director: Shannon Q. Drosnock

On a motion by Mr. Dale, seconded by Mr. Kelly, the Minutes of the June 14, 2012 meeting were approved.

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 June 30, 2012. Listed below is the information from those reports:

At the end of the 2nd Quarter of 2012, the Township has received \$7.685M or 69.2% of 2012 General Fund Budgeted Revenues, which was 4.9% higher than the \$7.32M in Revenues received during the 2nd Quarter 2011. General Fund Expenditures during the 2nd Quarter 2012 were \$4.407M which amount was 3.4% higher than the \$4.25M in Expenditures during the 2nd Quarter 2011. It should be noted that a majority of the increase in expenditures is directly related to services rendered for the increased revenues such as building inspection expenses offset by permit revenues. Year to date expenses for 2012 are projected to be 1.75% below budget for year end.

At the end of the 2nd Quarter 2012 the General Fund Balance was \$5.81M, an increase of 9% above the 2nd Quarter 2011 fund balance of \$5.32M. The various Revenue and Expenditure details are discussed in more detail below.

- Tax Revenues – These revenues represent 88% of all General Fund revenues.
 - Real Estate Tax revenues for June are up .7% (\$9.7K) as compared to same period prior year. This is the first month this year that receipts are above same period prior year. At this time, 93% budgeted Real Estate taxes have been collected.
 - Earned Income Tax (EIT) revenues for June are up .6% (11.9K) from same period prior year. Collection of receipts significantly changed this year to date related to the full implementation of ACT 32. Receipts are expected to meet budget for the year.
 - Mercantile Tax revenues are down 2.7% (\$52.56K) and Business Privilege revenues are up 17.3% (\$117.2K) from June 2011. Both of these differences are explained by one-time events that occurred in 2011. A delinquent business paid three years of Mercantile taxes in 2011 and a 3 year refund was issued to a Business Privilege customer in 2011. Both revenue streams have exceeded budget for 2012.

- LST revenues are exactly on budget for 2012. It should be noted that this is the first year with four full quarters of collection budgeted.
- Permits and License Fees – This collective group is reporting 30.2% (\$176K) above the prior year. New construction permits are down as a result of the Ryan Homes townhouse complex nearing the final phase. However there has been a high number of other permits (roof, electric, plumbing, etc.) issued within the Township. As a result, overall permit revenues are ahead of prior year and are approximately 15% ahead of budget.
- Other Revenue Sources include fines, interest, grants, etc. These revenues are 4.9\$ (7K) below prior year revenues for June; however they are just .3% below anticipated budget for this period of time. The major components of this decrease are Fines and Department Services handled through the Police Department.
- Expenditures
 - Overall expenditures for June are 3.5% (148K) above June of 2011. The two major components of this increase are increased Police Department expenses as a result of the Collective Bargaining Agreement (CBA) in affect this year and increased expenses in the Planning and Zoning Department, such as building inspection services, related to the increased permit fee revenues.
 - Included in the Police Department CBA was a one-time incentive bonus offered to officer's who permanently changed their health insurance plan to the Township's HMO plan. The Board also offered this incentive to non-uniform employees. This one-time payout occurred in January and was not accounted for in the 2012 budget but will be offset by reduced health insurance premiums for 2012.

In other business, the Committee discussed which investment option they will be recommending to the Board. The Committee's options were between a buy and hold strategy vs. an actively managed account. They chose the buy and hold strategy based on current market rates. Their concern with an actively managed portfolio is that if/when interest rates go up the government bond market will go down therefore creating risk to principle. Mr. Dale will be drafting a memo to the Board with a recommendation from the Committee regarding which investment option they feel is best for the Township and Ms. Drosnock will forward the recommendation to the BOS for approval.

The next meeting will be held on September 27th.

There being no further business, the meeting adjourned at 8:35 pm.

Respectfully Submitted

Victoria M. Zidek
Accounting Supervisor