

**MINUTES**

**FINANCE COMMITTEE MEETING**

**April 21, 2015**

**PRESENT:** Committee Members: Kline-Hecker-Luker-Markman-  
Jones (7:33 p.m.)

**OTHERS:** Finance Director Barron  
Assistant Finance Director Hermann  
Township Treasurer Blumenthal  
Township Manager LeFevre

**CALL TO ORDER:** 7:30 p.m.

**MINUTES:**

Commissioner Kline made a MOTION, seconded by Commissioner Luker to approve the minutes of the March 17, 2015 Finance Committee Meeting.

MOTION was ADOPTED 4-0.

**TOTAL EXPENDITURES:**

The Committee reviewed voucher list for the month of March, 2015.

Commissioner Kline made a MOTION, seconded by Commissioner Luker to recommend approval to the full Board expenditures, salaries and wages for March, 2015 in the amount of \$1,896,256.27 and \$1,765,220.09, respectively.

Commissioner Kline questioned voucher #26004 – Rudolph Clarke, LLC in the amount of \$5,000.00.

Mr. Barron replied that was escrow paid to Duke Real Estate for work they did on a land development project.

Commissioner Kline questioned whether accounting has been done on the Red Light Camera program yet.

Mr. Barron replied yes, he will provide accounting for that in his 4<sup>th</sup> Quarter 2014 report.

Commissioner Jones questioned voucher # 26007 – Aikido USA, LLC in the amount of \$2,208.00.

Mr. Barron replied that is an Aikido Instructor for Parks and Recreation program.

Commissioner Jones questioned voucher #26116 – Salfid Kennels in the amount of \$1,000.00 for K-9 Boarding. He clarified that K-9 dogs are sent to this kennel when the Officer is on vacation, etc. Is that correct?

Mr. Barron replied that is correct.

MOTION was ADOPTED 5-0.

CLEARING FUND/DEFERRED REVENUE/EXPENSE & PETTY CASH

Commissioner Kline made a MOTION, seconded by Commissioner Markman to recommend approval to the full Board the Clearing Fund activity, Deferred Revenue/Expense activity and Petty Cash balances for the month of March, 2015.

Clearing Fund receipts and disbursements for the month of March 2015 were \$643.78 and \$0.00, respectively.

Deferred Revenue/Expense receipts and disbursements for the month of March, 2015 were \$41.48 and \$0.00, respectively.

Petty Cash balances were approved as presented.

MOTION was ADOPTED 5-0.

TRAINING AND CONFERENCE EXPENDITURES:

Commissioner Kline made a MOTION, seconded by Commissioner Luker to recommend approval to the full Board the Training and Conference Expenditures activity. Advance and Travel expenditures for the month of March, 2015 totaled \$0.00 and \$3,450.18, respectively.

YTD Training and Conference Expenditures totaled \$9,386.22

Commissioner Kline questioned the amount of employees who attended the 11<sup>th</sup> Annual Training Conference PA Law Enforcement Accreditation in Harrisburg.

Manager LeFevre replied support staff that is part of the team and who handles the accreditation is rotated and sent to the training conference, so they are all exposed to the process.

MOTION was ADOPTED 5-0.

STATEMENT OF CONDITIONS:

The Committee reviewed statement of conditions for various funds.

CONTINGENCY EXPENSE REPORTS:

The Committee reviewed contingency expense reports.

OTHER MATTERS:

2014 Year-End Review:

**General Fund (Modified Accrual Basis)**

Mr. Barron said general fund balance on a modified accrual basis showed that total revenues were \$40,753.857 and total expenditures were \$45,207.083 with net decrease in the Fund Balance of \$4,453,226. Fund Balance decrease comprised of items listed in the report.

Commissioner Kline asked for the amount transferred from Fund Balance to the budget.

Mr. Barron replied \$876,462 was transferred to balance the budget in 2014, but was not used.

Total Fund Balance as of 1/1/14 was \$19,238,105 with net activity of \$4,453,226 bringing the total Fund Balance as of 12/31/14 in the amount of \$14,784,879.

Estimated Financial Statements Unassigned Fund Balance as of 12/31/14 at \$10,577,810 and using Fund Balance Reserve Policy per Board (1 month @8.5%) at (\$3,114,976) and Fund Balance Committed 2015 Budget at (\$521,932) remaining available Fund Balance for future as of 1/1/15 at \$6,940,902.

Estimated Financial Statements Unassigned Fund Balance as of 12/31/14 at \$10,577,810 and using Fund Balance Reserve Policy per Board (3 months @25%) at (\$9,161,695) and Fund Balance Committed 2015 Budget (\$521,932) remaining available Fund Balance for future as of 1/1/15 at \$894,183.

Approximately \$1.776 million of \$2.760 million in project balances carried forward will be reimbursed from State/Federal grants as project funds are spent.

**General Fund Revenues 2014**

Total revenues for the twelve-month period ending 12/31/14 were \$36.6 million, after removing the bond proceeds, representing collections of 101.3% of budget. Total revenues exceed budget by \$465,093. Shown in the report was a comparison of budget to actual variances.

**Analysis of Major Variations**

Total variances to budget equaled 1.3% and analysis of the major variances as compared to budget were as follows:

**Earned Income Tax (+\$328,892)**

According to analysis performed by Tax Collector Berkheimer, 2013 was inflated by prior year collections, larger bonus payments, delays in 2012 and faster processing. Since Act 32, compliancy has increased and they anticipated delinquent collections to diminish over the next few years. Updated 2015 collection estimate is \$7,300,000-\$7,400,000. We budgeted \$7,400,000 for 2015.

**Deed Transfer Tax (+\$416,614)**

There were five large transfers during 2014 accounting for \$311,000 of the difference. Real estate market in Abington improved over conditions in 2013.

**Fees, Licenses and Permits (+\$124,631)**

Departments and amounts were listed in the report.

**Grants (+\$171,067)**

Pension State Aid - \$3,961

Reimbursement on 2012 Hurricane Sandy +\$70,244

Reimbursement on Edge Hill/Tyson project +\$104,784

**Program Revenue (+\$175,299)**

The DEA program fell short of covering the expenses by \$114,640. Swimming pool revenues missed budge by \$25,209 and Parks recreational facilities missed budget by \$4,173. Red light camera revenue equaled \$267,734 and Parks and Recreation special program exceeded budget by \$51,587.

**Fund Balance Forward (-\$876,462)**

The adoption of 2014 budget anticipated using \$876,462 in fund balance, and we did not need to draw on this amount due to stronger than expected revenue performance.

**General Fund Expenditures 2014**

General Fund Expenditures (without capital and transfers) for the twelve-month ending 12/31/14 was \$34,260,436, representing 100.3% of the adjusted budget of \$34,152,764. Expenditures (with capital) total \$5.7 million more than adjusted budget. \$107,672 relates to overspent departmental appropriations, and \$2.8 million are budget balances from special fund balance projects not yet completed.

During 2014, the Board adjusted the original budget by \$3.4 million fund balance as listed:

Prior Years Capital Projects Balances Forward	\$2.87 million
2014 Fund Balance Commitment - \$377,933	.37 million

Shown in the report was a comparison of departmental adjusted budgets versus actual expenditures and these departments' expenses are allocated throughout the departments they serve.

**General Fund Expenditure Analysis**

Looking at the General Fund as a whole, major areas of budget differentials were classified and listed in the report.

**Wages and Benefits (-\$287,215)**

Commissioner Kline questioned the areas of savings in wages and benefits.

Mr. Barron pointed out the specific areas of savings totaling \$287,215 as listed in the report.

**Electric and Gas (-\$12,293)**

Commissioner Kline asked about renovations to be done at Alverthorpe Manor.

Manager LeFevre replied a member of the team who was working on those improvements had health concerns, but will be getting back to that project in about a month or so.

**General Insurance (-\$32,322)**

Township spent less than anticipated in deductibles.

**Legal Expense (-\$32,101)**

Nearly all expenditure savings resulted from lower than expected use of labor attorney.

**Unemployment (-\$31,687)**

Prior to 2013 activity, the Township average \$25,000 per year in claims with more recent years in the \$30,000 range. Budget for 2013 was moved up to \$40,000 and there were only \$4,200 in claims. 2014 budget was reduced to \$35,000, and in 2014, there were only \$3,313 in claims. 2015 budgeted was reduced to \$25,000.

**General Material and Supplies (-7,621)**

Departments and amounts were listed in the report.

**Fire Companies (-\$20,202)**

Fire companies are paid based on Fire Tax that the Township receives minus other Fire Company program expenses. This budget was lowered by \$10,000 in 2015.

**Contingency Expense (\$-13,300)**

We budget \$100,000 every for expenses that come up during the year that are not budgeted for in the operating budget. At year end \$13,300 remained.

**Association Dues & Seminar (-\$9,906)**

Departments and amounts were listed in the report.

**Office Materials & Supplies (-\$10,089)**

Departments and amounts were listed in the report.

**Training (-\$7,156)**

Departments and amounts were listed in the report.

**Bond Debt Interest (-\$174,994)**

When the budget for 2014 was done, we had to figure interest payment for the bond. Since the bond was not completed until late July, there was a savings in interest payments.

**Interdepartmental Allocation (-\$14,834)**

Interdepartmental charges from estimate to actual accounted for this change.

**Contracted Services (+\$61,547)**

Contracted services were listed in the report.

**Bond Principal Payoff/Issue Premium (+\$700,000)**

With the bond issue this year, we did a refinance of the 2009 Bond, so there was an expense to payoff and also a refund for the issuance cost that were still on the books.

**Sewer Operation Fund**

Wastewater Treatment facility and operation is accounted for as an enterprise (Propriety) fund and is reported in the financial statements on the full-accrual method of accounting. It is fully supported by the user fees charged (sewer rents) and payments from other governments.

**Revenues:** \$9,018,575

**Expenses:**

Operation	\$8,289,589
Capital projects	<u>548,184</u>
Total Expenses	\$8,837,773

On a modified accrual basis, 2014's revenues exceeded expenses by \$180,802.

**Sewer Operations Revenues**

Revenues for the twelve-month period ending 12/31/14 were \$9,018,575 or 99.16% of budget estimate. Shown in the report was a comparison of budget to actual revenue collection.

**Payments from Other Governments (+\$149,193)**

Billing based on proportion of flow and costs to other governments. The billing estimate was lower than actual resulting in additional revenue.

**Refunds/Permits/Sale of Property (+\$25,979)**

The Township received funds for sale of property and the DVIT dividend check was slightly higher than previous year.

**Sewer Rents (-\$275,187)**

The sewer rent budget was higher than actual billing by \$282,000. Interim sewer rents exceed budget by \$4,607.

**Sewer Operating Expenditures**

Operating expenditures for the twelve-month period ending 12/31/14 were \$8.7 million (prior to completion of all full accrual entries) representing 96% of budget or \$370,553 unexpended (without capital projects).

Shown in the report was a comparison of budget to actual by program.

“Payments to Other Governments” represents 24% of the 2014 variance. Fees are based on flows that vary from year-to-year.

Several line items in the operation program contributed to budgetary savings. Contracted services, equipment maintenance, training, material and supplies contributed \$104,000 towards the positive variance. Electric and gas expense ended \$16,000 under budget.

“Miscellaneous Costs” revealed a negative variance. This is due to recording the cost of bond issuance, which is now expensed at the time of issuance. Costs equaled \$32,262.



**Refuse Fund**

Established as an enterprise fund in 2007, financials are reported on the full accrual method of accounting. The fund is fully supported by fees charged for collection and disposal of refuse, and it is a Propriety Fund.

**Revenues:** \$5,647,866

**Expenditures:**

Operations	\$5,314,739
Capital	<u>470,073</u>
<b>Total Expenses:</b>	\$5,784,812

On a modified accrual basis, 2014's operating revenues exceeded expenses by \$333,127, but \$470,073 was an intentional drawdown of retained earnings for capital purchases.

+\$211,144 – Revenue budget overage
+\$121,983 – Unspent departments appropriations
<u>-\$470,073 - Capital drawdown</u>
-\$136,946

**Full Accrual Method:**

Estimated changed in net assets is (\$613,318). Approximately, \$1.1million is available for future spending after removing 2015 Capital budget commitments.

**Refuse Fund Revenues**

Revenues for the twelve-month period ending December 31, 2014 were \$5.6 million or 103.88% of budget.

Shown in the report was a comparison of budget to actual activity.

The largest impact in revenue collection was traced to the change in market prices for recyclable materials. In addition, grant revenue continued to decline.

**Refuse Fund Expenditures**

Operating expenditures for the twelve-month period ending December 31, 2014 was \$5.33 million of 98% of budget (modified accrual basis). Operating expenditures were \$108,177 below budget.

Comparing budget to actual for the Refuse Fund, “Solid Waste Collection” was the largest contributor towards coming in under budget. Hourly/part-time wages/benefits and insurance accounted for the major variance.

2015 First Quarter Review:

**General Overview**

A comparison of 2014 and 2015 actual receipts and expenditures to budgeted dollars for the three-month period ending 3/31/15 were listed in the report.

**General Fund Expenditure Adjusted Budget**

Several Fund Balance project balances were moved forward to 2015 as follows:

Edge Hill/Tyson PennDOT project match	\$1,760,017
Condemnation – 1180 Easton Road	540,908
Edge Hill/Tyson Match	459,564
Alverthorpe Boiler Repair	814
2014 Capital Sump Pumps	<u>10,200</u>
	\$2,771,503

Township fronting these costs - \$1.760 million reimbursement will replenish fund balance when received.

**Sewer Operating Fund Expenditure Adjustments**

Capital Project Balances Forward (prior year)	\$1,968,977
2015 Capital Projects	<u>269,500</u>
Total Adjustment	\$2,238,477

**Refuse Fund Expenditure Adjustments**

2014 Capital Equipment	<u>\$360,000</u>
Total Adjustment	\$360,000

**GENERAL FUND****Revenues**

Revenues for the three-month period ending March 31, 2015 were \$8.7 million or 24% of budgeted revenues. When comparing 2015 to 2014 revenues for the same timeframe, collections are behind the prior period by \$1,878,000.

Analysis of major revenue variations between 2015 and 2014 were as follows:

Real Estate Taxes	-\$2,482,000
Business Taxes	+93,052
Building Permits	+8,788
Earned Income Tax	+232,970
Delinquent Tax	-33,077
LST	+85,897
Deed Transfer	+11,806
Misc. Other	+210,774

**Expenditures**

Year-to-date expenditures are \$6.4 million or 16.3% of adjusted budget. This compares to \$6.5 million spent in 2014. The \$134,000 spending variance between 2015 and 2014 was summarized in the report.

**SEWER OPERATIONS****Revenues**

As of March 31, 2015, the Sewer Operating Fund revenue collections are \$3.3 million, and percentages, 37.8% compared with prior year collections, \$4.7 million, and percentages, 52.3% collected.

The variation is traced to the timing of Real Estate Tax payments. Sewer Rents for prior years is running about \$1.3 million behind the first quarter of 2014.

**Expenditures**

Year-to-date expenditures are \$1,142,000 or 10.2% of adjusted budget as compared to \$909,000 or 7.8% in 2014. The pattern for expenditures is consistent with the sewer fund historical data except payment to other, timing of bill. Also interdepartmental is up \$21,000 (charging pension) and increase in other interdepartmental allocations.

**REFUSE FUND**

**Revenues**

Revenues collected through March 31, 2015 are \$2.3 million or 40.1% of budget and compare favorably to 2014 collections of \$2.9 million or 54% for the same timeframe.

The variation is tied to the decrease in Refuse Fees and the timing of Real Estate Tax bills. All other revenues are nearly equal to prior years.

**Expenditures**

Year-to-date expenditures are slightly lagging in dollars spent last year, \$848,000 (13.6%) as compared to 2014 expenses of \$1.0 million (17.4%).

Billing for solid waste disposal from Covanta is behind from previous years by \$232,000. Covanta was late on getting the bills to the Township for January, February and March. Previously, bills were paid in advance to Waste Authority.

Solid waste collection is up \$7,481 in wages and benefits.

Refuse Administration is up \$34,150 in wages and benefits. This is due to interdepartmental being up \$27,000 (charging pension) and increases in other interdepartmental allocations.

**Other Items for Discussion Only:**

Mr. Blumenthal suggested that Township staff consider taking over the Abington Art Center and restructure it.

Commissioner Kline added that Township staff should also consider future potential of the Alverthorpe Manor building and property and create a long term strategic plan for that property, which could include the future of the Abington Art Center.

**ADJOURNMENT:** 8:59 p.m.

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