

*Cheltenham Township, believing that public input is appropriate on any items coming before the Commissioners, will recognize any citizen wishing to address a specific item prior to the vote on that issue. In order to be recognized, please raise your hand.*

## **FINANCE COMMITTEE**

Daniel Norris, Chairman  
Morton J. Simon, Jr., Vice Chairman  
Kathy A. Hampton, Member  
Charles D. McKeown, Member  
Harvey Portner, Member  
J. Andrew Sharkey, Member  
Art Haywood, Ex-Officio, Board President

## **AGENDA**

Wednesday, November 14, 2012  
Curtis Hall, 7:45 p.m.

1. Review of the Executive Financial Summary Report for the period ended October 31, 2012.  
(Five-Year Analysis attached)
2. Discussion on the Collection of Delinquent Real Estate Taxes.
  - a. Status Report of the County Collection Initiative (see attached)
  - b. Presentation by representatives of Portnoff Associates (see attached)
3. Consider recommending to the Board certain budget transfers by Resolution and Ordinance (see attached).
4. Consider recommending to the Board a Resolution approving new fee increases.
5. Review of 2011 Audit Reports and 2013 Budget Requests for the Fire Companies.
6. Review of the President's 2013 Budget Message and the Proposed 2013 Operating and Capital Budgets.
7. Old Business:
  - a. Consider recommending to the Board an Ordinance authorizing the incurring of non-electoral debt through the issuance of Government Obligation Bonds Series 2012 in a maximum amount of \$7,200,000.
  - b. Update on the selection of PNC Capital Markets, LLC, as the Underwriter for the 2012 Government Obligation Bonds.
  - c. Consider recommending to the Board a structural level debt service or wrapped level debt service with regard to 2012 Government Obligation Bond Issuance.
8. Citizen's Forum.
9. Adjournment.



Bryan T. Havir  
Acting Township Manager

**FIVE YEAR ANALYSIS - AS OF OCTOBER 2012**

	2012	2011	2010	2009	2008
<b>Expenses</b>	84%	86%	83%	83%	82%
<b>Revenues</b>	90%	91%	88%	89%	87%
<b>EIT</b>	81%	78%	77%	65%	66%
<b>Group Health Ins.</b>	83%	84%	79%	79%	83%
<b>Real Estate</b>	97%	96%	97%	97%	96%



**JOSHUA D. SHAPIRO**  
CHAIRMAN  
BOARD OF COMMISSIONERS  
MONTGOMERY COUNTY, PENNSYLVANIA  
September 21, 2012

Bryan T. Havir  
Township of Cheltenham  
8230 Old York Road  
Elkins Park, PA 19027

Dear Mr. Havir:

Earlier this year, the County Treasurer's Office began discussions with local taxing authorities regarding the collection of delinquent real estate taxes, specifically with respect to the issue of the 5% commission owed to the Montgomery County Tax Claim Bureau on delinquent taxes pursuant to state law. These discussions began when the Treasurer's office undertook a compliance review of delinquency collections and discovered that not all local taxing authorities were making returns or remitting commissions to the County after having employed third party firms to collect delinquent taxes.

As you are aware, the collection of real estate taxes in Montgomery County is governed by the Real Estate Tax Sale Law ("RETSL"), which establishes the County's Tax Claim Bureau as the agent for local taxing authorities for the collection of delinquent taxes. While applicable laws also permit a local taxing authority to assign some or all of its tax claims to a third party for collection, in either scenario, RETSL requires that the five percent commission be remitted to the County.

The County's records indicate that some local taxing authorities have annually submitted the required commissions, while others have not, regardless of whether these authorities utilized a third party for the collection of delinquent taxes. We are advised that some taxing authorities operated under the assumption that the County had, at some point in the past, agreed to waive the collection of the commissions. The power to waive these commissions resides solely with the County Commissioners and there are no records of any written agreements or resolutions adopted to this effect. The County Commissioners memorialized these findings in the attached Resolution adopted on September 13, 2012.

Notwithstanding the lack of any formal waiver for past years, and as stated in the Resolution, the County will begin the collection of these commissions *prospectively*, starting January 1, 2013. While there was never any declaration of intent to seek retroactive payment for prior years, we understand the budgetary concerns that were raised by this possibility and we are certain that providing this assurance to you now will alleviate all of those concerns.

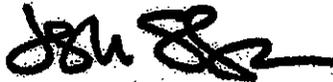
Specifically, the Resolution specifies that Montgomery County adopted provisions of the Municipal Claims and Tax Lien Act ("MCA"), which will operate in conjunction with RETSL for the collection of delinquent taxes. Under the relevant provisions of the MCA, the County in essence, shifts the burden of paying the 5% commission to those taxpayers that are delinquent rather than assessing the 5% commission against the taxing authority. The Resolution also establishes reasonable attorney's fees for the collection of any delinquent accounts. Those fees will be fixed at one percent (1%) of the total amount of the delinquent account, including any interest or penalties which may be properly included. In effect, this will allow the County to collect delinquent accounts more quickly while mitigating collection costs for the local taxing authorities. For further illustration of how this will work, we've included three general examples as an attachment to this letter.

We look forward to working together to ensure that delinquencies are resolved expeditiously and that both the County and the local taxing authorities are satisfied with this process. We believe that this partnership will ensure that best practices are followed during the collections process - something that should be afforded to every constituent while ensuring that authorities will continue to receive revenues to which they are entitled. We also anticipate that this relationship will allow for a greater dialog between all parties which will serve as a platform for further partnership between the County and local authorities.

Pursuant to the MCA, each separate taxing authority board should adopt their own resolution assigning their delinquent tax claims to the Montgomery Tax Claim Bureau as they decide to cease using third party collectors to collect delinquent taxes. A resolution should be adopted whether your particular organization employs third party collectors or not. Within the next ten days, the Tax Claim Bureau will be mailing a *Sample Resolution* that your boards may use to memorialize same.

We encourage you to contact the Tax Claim Bureau or the Treasurer's Office at 610-278-3066 to get answers to any questions you may have and also to discuss next steps. We will also be calling to ensure that you received this information.

All the best,



JOSHUA D. SHAPIRO

Chairman

Montgomery County Board of Commissioners

**County Commissioners**  
*September 13, 2012*

On the motion of Vice Chair Richards, seconded by Commissioner Castor, it was unanimously adopted that:

**WHEREAS**, the Montgomery County Commissioners, pursuant to the authority of Section 201 of the Real Estate Tax Sale Law ("RETSL"), P.L. 1368, No. 542, has designated the Montgomery County Treasurer to act as the Director of the Montgomery County Tax Claim Bureau; and

**WHEREAS**, the Montgomery County Tax Claim Bureau in connection with the Montgomery County Solicitor as Solicitor to the Montgomery County Tax Claim Bureau, at all times relevant hereto, has used the provisions of the RETSL in order to collect delinquent real estate taxes; and

**WHEREAS**, the Solicitor for the Montgomery County Tax Claim Bureau has advised the Montgomery County Treasurer and the Montgomery County Commissioners that, consistent with settled law, the provisions of the Pennsylvania Municipal Claims and Tax Lien Act ("MCA"), P.L. 207, No. 153, may be used in conjunction with and concurrent with RETSL to collect delinquent real estate taxes; and

**WHEREAS**, it is the desire of the Board of Commissioners and the Treasurer to remove the burden of the collection of fees from those taxpayers who pay their taxes in a timely fashion, and direct that they be paid by the delinquent taxpayers, while enhancing and improving the collections of delinquent taxes, by authorizing the Montgomery County Tax Claim Bureau to use the additional provisions of the MCA; and

**WHEREAS**, these enhancements shall have the effect that, with the exception of five percent (5%) of the accrued interest on delinquent real estate tax accounts retained by the Montgomery County Tax Claim Bureau (such interest accruing on the first of each month at a rate of  $\frac{3}{4}$  of 1% or 9% per annum), the County, municipalities and school districts within the County shall be made whole for such collected delinquent taxes, together with 95% of accrued interest.

**NOW THEREFORE BE IT RESOLVED** that commencing January 1, 2013, the Montgomery County Tax Claim Bureau is hereby authorized and directed to collect delinquent taxes through the authority granted under both the Pennsylvania Real Estate Tax Sale Law and the Pennsylvania Municipal Claims and Tax Lien Act, said Acts to be used in conjunction with the each other and concurrent with each other in order

to more effectively collect delinquent real estate taxes in Montgomery County.

**BE IT FURTHER RESOLVED**, in connections with the collection of delinquent real estate taxes by the individual taxing authorities, the Board of Commissioners of Montgomery County hereby grants waivers to the taxing authorities which did not remit the legally required commissions to the Montgomery County Tax Claim Bureau for any previously collected delinquent taxes, as mandated under the Real Estate Tax Sale Law.

**BE IT FURTHER RESOLVED** that, in connection with the authority granted to the Montgomery County Tax Claim Bureau, the Montgomery County Tax Claim Bureau shall have discretion to employ the authority granted under RETSL and MCA in the collection of delinquent real estate taxes in Montgomery County, provided, nevertheless that the use of the MCA shall apply only to the collection of delinquent taxes occurring as of January 1, 2013 and thereafter; and

**BE IT FURTHER RESOLVED** that, pursuant Section 7106 of the MCA, it is hereby established that the reasonable charges, expenses and fees incurred in the collection of any delinquent account under the MCA are hereby fixed at five percent (5%) of the total amount of the delinquent taxes (including interest and penalties), and that additional reasonable attorney's fees incurred in the collection of any delinquent taxes shall be fixed at one percent (1%) of the total amount of the delinquent taxes (including interest and penalties), and that said charges for attorney's fees and for all charges, expenses and fees set forth herein, shall be paid to the County of Montgomery through the Montgomery County Tax Claim Bureau; and

**BE IT FURTHER RESOLVED** that the law firm of Rudolph, Clark and Kirk, LLC, and John A. Zurzola, Esquire, are hereby appointed by the Montgomery County Treasurer and the Montgomery County Commissioners to act as attorneys for the Montgomery County Tax Claim Bureau for collection of delinquent taxes under RETSL and the MCA.

# Portnoff Law Associates, Ltd.

P. O. Box 351  
Norristown, PA 19404-0351  
Toll Free: (800) 561-7989

1000 Sandy Hill Road, Suite 150  
Norristown, PA 19401  
Phone: 484-690-9300 Fax: 484-690-9301

October 3, 2012

**Sent via E-mail only**

Joseph Galdo, Director of Fiscal Affairs  
Township of Cheltenham  
8230 Old York Road  
Elkins Park, PA 19027

**Re: Collection of Delinquent Real Estate Taxes**

Dear Mr. Galdo:

On September 13, 2012, Montgomery County enacted a resolution setting forth changes to the collection of delinquent real estate taxes, effective January 1, 2013. Taxing districts will have two options with regard to the collection of delinquent real estate taxes. One option is for the districts to utilize the services of a firm such as ours, and have the County charge that district a 5% commission on all taxes paid after January 1, 2013, including payments on taxes for prior years. The second option is for the districts to use the County Tax Claim Bureau. In this situation, the County will add 5% to the claim (together with 1% for legal fees), so that the commission will be deducted from an inflated figure. The County's resolution does not indicate that there would be any changes to the County's usual collection process under the Real Estate Tax Sale Law (RETSL).

**Legal Analysis:**

It is our opinion that the law does not authorize the County to add 5% to the claim (plus 1% for counsel fees). RETSL allows the counties to adopt the Municipal Claims and Tax Liens Act (MCTLA), but restricts its application by limiting the counties to the fees and time parameters already set forth in RETSL 72 P.S. 5860.201(a). Ironically, on March 21, 2012, at a meeting to determine if there was any way to reach a compromise on House Bill 1877, the counties' representative proposed that RETSL be amended to allow counties to charge their commission to the delinquent taxpayers. However, none of the three Republican legislators who attended the meeting agreed to this plan, including the state representative who has lobbied to oppose HB 1877. (HB 1877 was introduced this session to eliminate the payment of a commission to a county where a taxing district has hired its own collector.)

In 2012, Berks County instituted the same program now adopted by Montgomery County. We expect that there will be a legal challenge before long which will settle this question.

Joseph Galdo, Director of Fiscal Affairs  
Township of Cheltenham  
October 3, 2012  
Page Three

5. Full service representation. PLA has a bankruptcy department that monitors any accounts in bankruptcy. PLA has an in-house IT department which offers detailed reporting of data to make budgeting more pinpointed. PLA employs 9 lawyers, whose sole focus is delinquent tax and municipal claim collection, to handle any challenges to the claim at no additional cost to the municipality.

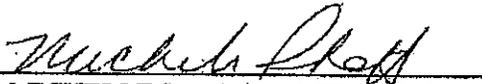
6. Apolitical. PLA is committed to letting the economics of a given situation, and not relationship, drive the terms of a payment arrangement with a municipality. We are a local small business with strong ties to our community.

We hope that the County's decision to charge a commission in 2013 will not affect our relationship with the Township of Cheltenham. We believe that the superior quality of our services results in quicker collection of delinquencies, an increased current collection rate, and fewer disgruntled taxpayers.

Very truly yours,

PORTNOFF LAW ASSOCIATES, LTD.

BY:

  
MICHELLE R. PORTNOFF, ESQUIRE  
Extension 9320

MRP/sla

cc: Kenneth A. Roos, Esquire

393, 3003

# Township of Cheltenham

Montgomery County, Pennsylvania

## Board of Commissioners

Art Haywood, President  
Harvey Portner, Vice President  
Kathy A. Hampton  
Charles D. McKeown  
Daniel B. Norris  
J. Andrew Sharkey  
Morton J. Slmon, Jr.

**Township Manager**  
David G. Kraynik



**Administration Building**  
8230 Old York Road  
Elkins Park, PA 19027-1589

Phone: 215 887-1000  
FAX: 215 887-1561  
Website: [cheltenhamtownship.org](http://cheltenhamtownship.org)

## MEMORANDUM

**DATE:** November 9, 2012  
**TO:** Finance Committee  
**FROM:** Joseph Galdo, Director of Fiscal Affairs   
**SUBJECT:** 2012 Budget Transfers

I am recommending the following budget transfers:

### 1. BY ORDINANCE:

#### **FROM:**

- 1). Unallocated Appropriation (01169) \$75,000
- 2). Police (01060 – 01077) \$125,000
- 3). EMS (01131 – 01137) \$43,000
- 4). Parks & Recreation (01080 – 01085) \$72,000
- 5). Refuse (01050 – 01051) \$45,000

#### **TO:**

- 1). Sewer – Operating Expense (01041) \$360,000

**2. BY RESOLUTION:**

**FROM:**

1). Wages Pools (01090)      \$4,200

**TO:**

1). Pool Equipment & Supplies (01091)      \$4,200

Respectfully submitted.

Cc: Bryan T. Havar, Acting Township Manager

**ORDINANCE NO. \_\_\_\_\_ - 12**

**AN ORDINANCE AMENDING ORDINANCE NO. 2230-11 ENACTED DECEMBER 22, 2011 AFFIXING THE TAX RATE FOR THE YEAR 2011 AND APPROPRIATING SPECIFIC SUMS ESTIMATED TO BE REQUIRED FOR THE PURPOSE OF TOWNSHIP GOVERNMENT DURING THE CURRENT FISCAL YEAR.**

The Board of Commissioners of the Township of Cheltenham hereby ordains:

**SECTION I.** That Section 2 of Ordinance No. 2230-11 enacted December 22, 2011 setting forth amounts appropriated for expenses for various departments, is hereby amended and modified as follows:

<b>DEPARTMENT</b>	<b>FROM</b>	<b>TO</b>
Unallocated Appropriation	\$75,000	\$0
Police	\$8,972,169	\$8,847,169
EMS	\$1,035,462	\$992,462
Parks & Recreation	\$1,882,096	\$1,810,096
Refuse	\$2,084,236	\$2,039,236
Sewer	\$4,734,599	\$5,094,599

ENACTED into an Ordinance this 14<sup>th</sup> day of November, A.D., 2012.

TOWNSHIP OF CHELTENHAM  
BOARD OF COMMISSIONERS

BY: \_\_\_\_\_  
Art Haywood, President

ATTEST:

\_\_\_\_\_  
Bryan T. Havir, Secretary

# Township of Cheltenham

Montgomery County, Pennsylvania

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## MEMORANDUM

**TO:** Finance Committee

**FROM:** Bryan T. Havir, Acting Township Manager  
Joseph L. Galdo, Jr., Director of Fiscal Affairs

**DATE:** November 9, 2012

**RE:** Proposed Revenue Fee Increases into the 2013 Budget

As a result of the budget workshop on October 2, 2012, and a means to improve Cheltenham Township's yearly revenue picture, we are recommending to the Committee that consideration be given to the following Fee Increases:

	<u>Projected Increase</u>	<u>2012</u>	<u>2013</u>
Police - Finger Printing	\$ 1,750	\$ 15	\$ 25
Parks & Recreation – Playground Registration (Camp increased by 1 week)	\$ 22,525	\$275	\$350
Pools – Family Membership Fee	\$ 9,500	\$210	\$225
Building & Zoning - Grading Permit Fee (No stormwater management/Stormwater)	\$ 5,000	New	\$200/\$400
- Zoning U & O Cert (Residential/Commercial)	\$ 20,000	\$ 30	\$ 60/\$120
- Zoning Compliance Letter (Residential/Commercial)	\$ 5,000	New	\$ 50/\$100
- Fine Penalty (Residential/Commercial)	\$ 7,500	\$ 75	\$150/\$250
EMS – 3 <sup>rd</sup> Party Billings (Medicare)	\$230,000	\$870,000	\$1,100,000

By approving these fee increases, we are creating a budget tool for the Township as we attempt to minimize a budget gap. Combined these processes can present the Township with a positive budget outcome; although, there may be some off-setting miscellaneous costs.

In closing, we would highly recommend that these fee increases be implemented.

# Township of Cheltenham

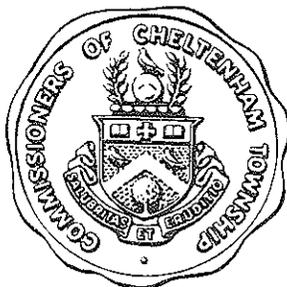
Montgomery County, Pennsylvania

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## MEMORANDUM

**To:** Finance Committee

**From:** Joseph Galdo, Director of Fiscal Affairs

**Date:** November 9, 2012

**Re:** Consideration of Wrapped Level Debt Service or Structural Level Debt Service; Government Obligation Bonds Series 2012

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Attached is a letter dated October 31, 2012 from PNC Capital Markets LLC concerning the type of debt service level the Township needs to determine to be in its best interest for this latest New Money transaction for the Township Capital Improvement Program (CIP).

Wrapped Level Debt defers principal repayment to later years resulting in lower debt service in near term years (vs. level annual debt service amortization). In latter years, debt service would be higher (vs. level annual debt service amortization). As such, this result in slightly higher borrowing costs since more bonds in the longer end of the deal are at a higher interest rate. Under our current scenario, it is projected that Wrapped Level Debt would cost an additional \$2.4 million over the life of the bonds. Fortunately, there will be a high probability/opportunity to refund (refinance) a good portion of this Issuance.

For the majority of the past bond issuances, the Township has chosen Wrapped Level Debt service. In 2011, the Township also utilized a wrapped structure with its \$7.2 million new money issuance. The Finance Committee should recommend to the Board direction on this latest issuance.

Respectfully submitted.