July 14, 2009
Township Building

A regular meeting of the **FINANCE COMMITTEE** was held tonight, Chairman Morton J. Simon, Jr. presiding. Members present were Commissioners McKeown, Portner, Sharkey and Swavola. Also present was ex-officio member Greenwald. Staff members present were Township Manager David G. Kraynik; Director of Fiscal Affairs Elizabeth McBride; Assistant Township Manager Bryan Havir; Director of Public Works Rudy Kastenhuber; Public Works Superintendent Mark McDonnell; and Director of Engineering, Building & Zoning David Lynch. Also in attendance was Finance Officer Stephen Burns. A Public Attendance List is attached.

1. The Committee reviewed the Executive Financial Summary Report for the period ended June 30, 2009 and the five-year analysis of expenditures and revenue (see attached). Mr. Simon commented that 2009 was in keeping with the five previous years based on the analysis but that the details in the Executive Summary showed that revenue from Earned Income Tax, Deed Transfer Tax and Interest Earnings is down significantly. Mr. Kraynik commented that indeed these three areas were down as was expected and as discussed during the 2009 Budget preparation process. Fortunately, departmental earnings are up and offset the declines in these revenue areas such that, overall, the township is on target with budgeted projections.

Mr. Simon questioned whether real estate assessment protests have increased and Mr. Burns believes that protests are up only slightly from last year. Mr. Swavola questioned anticipated revenue from building permits for the remainder of 2009.

Township Manager Kraynik noted that expected permit fees have been budgeted for proposed development by Federation, Arcadia, and Target but that proposed development by Ashbourne and the expansion of the Cook Center at Arcadia were not included in the 2009 budget.

2. Chairman Simon initiated discussion regarding appointing a voting delegate and alternate to the Montgomery County Tax Collection Committee.

Upon motion of Mr. Portner, and unanimously approved by the Committee, it was recommended to the Board of Commissioners that Mr. Greenwald be appointed as voting delegate and Mr. Simon as alternate to the Montgomery County Tax Collection Committee.

3. Mr. Burns reviewed with the Committee a letter from Abington Hospital in which the hospital protested the payment of Business Privilege taxes for medical offices located in the Township. See attached.

The Committee determined that more information was needed and Mr. Burns was asked to follow-up with Solicitor Bagley.

4. Mr. Burns questioned if the "We The People" citizens group is successful in redefining a corporation as a non-citizen, would that prevent the township from collecting a variety of taxes currently collected from corporations. Discussion was held as to whether the Township Solicitor should be consulted for an opinion on whether a corporation could be classified as a non-citizen. It was decided that it is premature to request such an opinion.

Mr. Greenwald arrived at this time.

5. Mary Beth Carroll asked the Committee if they have considered contacting the "We The People" group that wants to redefine the definition of a corporation. Mr. Simon feels that it would possibly be a conflict of interest for the township to meet with the promulgators of the petition. She mentioned that she had spoken at length, on an earlier occasion, to a representative from the Community Environment Legal Defense Fund (www.celdf.org) and feels that it would be beneficial to the Commissioners to contact this individual. Ms. Carroll elaborated that there

are some in the township who feel the Commissioners have been non-responsive. She disagrees with this sentiment but emphasized that it does exist. Mr. Portner took exception to this description of the Commissioners and mentioned several recent examples of where the Commissioners were very receptive to concerns of the public. Mr. Swavola and Mr. Simon agreed that it may be a good idea to visit the website of the Community Environmental Legal Defense Fund.

There being no further business, upon motion of Mr. Portner, and approved by the Committee, the meeting was adjourned.

David G. Kraynik
Township Manager

Per: M. Elizabeth McBride
Director of Fiscal Affairs

PUBLIC ATTENDANCE LIST

Finance Committee @ 7:00 PM
Public Works Committee @ 7:30 PM
Tuesday, July 14, 2009
Cheltenham Township Administration Building
8230 Old York Road, Elkins Park, PA 19027

NAME (Please Print)	AFFILIATION/COMPANY AND/OR ADDRESS	EMAIL ADDRESS AND/OR TELEPHONE NUMBER
D. Marshall		
Art Haywood		
Harvey Friedrich	Beth Shalom Cong.	

FIVE YEAR ANALYSIS - AS OF JUNE 2009

	2009	2008	2007	2006	2005
Expenses	54%	54%	53%	54%	54%
Revenues	75%	71%	73%	73%	71%
EIT	40%	41%	49%	48%	50%
Group Health Ins.	48%	50%	48%	57%	59%
Real Estate	95%	95%	95%	95%	93%

Abington Memorial Hospital

1200 Old York Road, Abington, PA 19001-3788

June 30, 2009

Office of Tax Collector
Cheltenham Township
8230 Old York Rd.
Elkins Park, PA 19027

RECEIVED
JUL 13 2009
CHELTENHAM TOWNSHIP

Michael B. Walsh
Senior Vice President – Finance
(215) 481-2851
FAX: (215) 481-4979
mwalsh@amh.org

Dear Sir/Madam;

While we are attaching the Business Privilege tax due, the purpose of this letter is to formally protest the payment of these taxes for our medical offices located in Cheltenham Township. All of these medical offices are integral parts of Abington Memorial Hospital ("AMH"). They are heavily subsidized by AMH in order to better serve the medical needs of our patients, including, to a large degree, Township residents.

Under the Township's Municipal code Abington Memorial Hospital is exempt from paying Business Privilege Tax because it is a nonprofit corporation organized exclusively for charitable purposes and exempt from federal income tax under Internal Revenue Code § 501(c)(3). These medical offices are an ambulatory extension of AMH. Billing for services rendered is under the tax identification number of AMH.

These offices differ from those that are not aligned with a hospital or a health system in that the practitioners at our sites do not have the business autonomy that a "free-standing" or unaffiliated practitioner would have. Such a physician directly receives revenue for services rendered and may organize its business practices any way it sees fit. Those physicians staffing our office settings must work under the construct of the AMH delivery system. These physicians, per their employment contracts, must accept medical assistance, which is not necessarily the case for unaffiliated physician offices. Cash receipts flow directly to the hospital to utilize for purposes consistent with its charitable mission.

Over the years, the health care delivery system has changed, causing hospitals such as AMH to physically position itself in the community since the hospital setting is typically reserved for sicker patients requiring more intense care. The natural flow of patient activity will generally begin at the physician office, ultimately resulting in a referral to the hospital for inpatient or outpatient service, if necessary. Establishing these ambulatory offices in the community is a means to efficiently deliver this spectrum of care to our patients (and Township residents).

Therefore, I ask that you reconsider the assessment of Business Privilege Tax for Abington Memorial Hospital medical offices located in Cheltenham Township. We are of the opinion that it is inconsistent with Township Code and does not properly reflect the current delivery system of medicine.

Very truly yours,

Michael B. Walsh

Michael B. Walsh
Senior Vice President-Finance

Practice Receipts - Cheltenham Locations
Calendar Year Ended December 31, 2008

Practice	Physician	Date Acq	
[redacted]	[redacted]	[redacted]	437,521
[redacted]	[redacted]	[redacted]	553,286
[redacted]	[redacted]	[redacted]	1,116,865
[redacted]	[redacted]	[redacted]	378,112
[redacted]	[redacted]	[redacted]	279,006
		TOTAL	$2,764,790

Tax Due	0.004		$11,059.16
2008 Est tax Paid			$11,040.05
2009 Tax Due			$19.11
Est 2009			$11,059.16
License Fee(5 practices)		5	$50.00
	Total		$11,128.27

Practice Receipts - Cheltenham Locations
Calendar Year Ended December 31, 2007

Practice	Physician	Date Acq	
[redacted]	[redacted]	[redacted]	425,132
[redacted]	[redacted]	[redacted]	552,286
[redacted]	[redacted]	[redacted]	1,136,982
[redacted]	[redacted]	[redacted]	369,067
[redacted]	[redacted]	[redacted]	276,546
		TOTAL	$2,760,013

Tax Due	0.004		$11,040.05
2007 Est tax Paid			$10,200.99
2007 Tax Due			$839.06
Est 2008			$11,040.05
License Fee(5 practices,4 practices 5 yrs)		5	$250.00
	Total		$12,129.11