# MINUTES

## FINANCE COMMITTEE MEETING
**(via Zoom webinar)**

**August 19, 2021**

**CALL TO ORDER:** 7:02 p.m.

**PRESENT:** Committee Members: Chairman Vahey-Vice Chairman Winegrad-Carswell-Myers-Hecker

**OTHERS:** Finance Director Hermann
Township Manager Manfredi
Manager of Financial Services Embery

**CONSIDER APPROVAL OF MINUTES:**

Commissioner Vahey made a MOTION, seconded by Commissioner Myers to approve the minutes of the Finance Committee Meeting of June 17, 2021.

MOTION was ADOPTED 5-0.

**PRESENTATIONS:**

Impact of Tax Collection:

Township Treasurer Jay W. Blumenthal reported that refunds as of July 31, 2021, totaled $98,550 and 62% of the total business cash refunds were a credit balance requested in the amount of approximately $61,000.00. Normally, most business owners request the balance to be carried forward to the following year; however, this year they needed the money for cashflow. Keswick Theater was one of those businesses, which was a large portion of the refunds at approximately $19,000. The balance of $98,550 minus the credit balance of $60,874 totals $37,676 and that is a result of closed businesses as well as from contractors. He does not see refunds to be this high next year as this year was a real anomaly.

MMO Discussion:

Manager Manfredi said that every year, the Board of Commissioners sets forth and approves a resolution for the minimum municipal funding obligation for each pension plan, and there has been discussion with Aon advisors regarding what assumption should be used for the interest rate as well as the mortality rate as well as what the financial impact would be for the Township if those rates were changed or remain the same.

Mr. Al Johnson, Aon, said he is the actuarial consultant for the police and non-uniformed employees' pension plans, and tonight, he will discuss the mortality or longevity table and the investment return assumption used to prepare the actuarial valuation biannually that produces the MMO, which is the amount of contributions that are provided by Abington Township to both pension funds. The longevity table is the estimation of how long people will live in the future, how long they will live in their retirement years, and therefore, how long will they be collecting benefits from the pension plan.

Currently, both plans use the longevity table that was formulated back in the mid-90's representing longevity patterns of the population that now have become outdated. Since then, we have seen a considerable increase in longevity (COVID notwithstanding).

The Society of Actuaries is the organization that publishes the tables, and in the past, only created tables based on the private sector pension plan, and three years ago, they issued a public sector table dividing it into three categories: teachers, public safety employees – police and firefighters and general employees, and the table shows that public sector employees have a better longevity projection than private sector employees.

By using a table that is outdated, it is chronically underfunding the plan because we are accumulating assets to pay those benefits based on a table that is outdated when we should be funding the plan based on people living longer.

Also, the rate of return on plan assets, which is currently 7.5%, and based on most capital market expectations, that rate is on the high side, so he suggested bringing the rate down to 7.25% and then in a few years review it again, and if capital market expectations are still on the low side, possibly dropping it lower to perhaps 7.0%.

MMO Projections Supplemental Scenarios –

Scenario A –

- Update mortality to the PUB-2010 static table.
- Reduce expected rate of return on assets to 7.25%.
- Apply revised retirement rates based upon 2019 assumption study.

Scenario B –

- Update mortality to the PUB-2010 table with base rates projected to 2021 with scale MP-2020.
- Reduce expected rate of return on assets to 7.25%.
- Apply revised retirement rates based on 2019 assumption study.

Scenario A Results – Police Plan was presented noting the baseline projected MMO if no changes were made would be $3,079,000 and the updated mortality table increases the MMO to $3,142,000. Next column showed the updated mortality and interest rate dropping to 7.25% noting that when we drop investment return assumptions, you will earn less in investment income so the money will need to come from somewhere else, which is contributions to the plan. Scenario B is identical, but we would be taking the static mortality table and factoring in enhancements to longevity.

Scenarios A & B for the Non-Uniformed Employees were presented noting the baseline projected MMO if no changes were made would be $689,000 and employees have been showing a pattern of retiring earlier then currently assumed.

Commissioner Vahey commented that he finds these numbers surprising because the police pension fund is so much larger than the non-uniformed employees' pension fund.

Mr. Johnson replied that the general employees have a longer life expectancy than the public safety employees do, and he suggested using the 2010 PUB static table, which is more in-line with reality.

Commissioner Vahey said three years ago, the Township increased the MMO by approximately $1 million dollars due to increased longevity, and he expressed concern that we are not using the correct tables.

Mr. Johnson replied that the new table had not been adopted yet, and the last valuation was done in 201. There was discussion about the table during one of the police committee meetings and the 2019 valuation was not changed, so the current mortality rate was not changed either.

Manager Manfredi added that the rate of return has never been changed or the mortality table, but we need to begin adjusting the tables and reducing the rate of return because the plans will not be as strong as they are; however, there was an increase in the MMO, and we will provide further information.

Commissioner Vahey commented that he understands the concept; however, the Township levied a significant millage increase two years ago to address changes in longevity assumptions, and it is frustrating to hear that the Township is still not caught up.

Ms. Hermann added that there has been an ongoing discussion for the past several years about moving from the smooth asset value method to market value, which is most likely where the contributions came into play even without changing the other assumptions; however, she will review the notes to verify those exact changes.

Commissioner Vahey questioned whether the MMO can be changed after initial adoption by the Board.

Mr. Johnson replied that he believes the Township would have until the end of the year to make any updates to initially approved MMO.

Commissioner Vahey asked for any comments from Commissioners.

Commissioner Winegrad commented that he would like to consider just the minimum, although changing assumptions is important; however, there are many budget implications and too many variables at this time.

Commissioner Hecker said this is a broader conversation that needs to be imbedded into the Township's budget planning, and he shares concern about the implications to the budget. We can consider just the minimum and then discuss what this will look like in the context of the budget for next year.

Commissioner Myers agreed that it is hard to predict without seeing the full budget picture and this should be considered at the beginning of budget planning and not at the end.

Commissioner Carswell said this should be discussed with the full Board of Commissioners on how it will impact the budget for next year.

Mr. Johnson clarified that we should continue the 2021 valuation of the baseline figures as presented with no change to the assumptions. Is that correct?

Manager Manfredi replied we will continue it if the Finance Committee recommends approval, and the Board of Commissioners approves it next month.

**NEW BUSINESS:**

Finance Committee reviewed Financial Reports for July 2021 including Investments; Clearing Fund; Deferred Revenue/Expense Activity; Petty Cash Balances; Travel Expenses and Statement of Conditions.

<u>Item FC-01-090921:</u>

Commissioner Vahey made a MOTION, seconded by Commissioner Carswell to approve the July 2021 expenditures in the amount of $1,961,462.43 and salaries and wages in the amount of $3,072,806.91, and authorize the proper officials to sign vouchers in payment of bills and contracts as they mature through the month of October 2021.

Commissioner Vahey clarified that the Aqua charges for the wastewater system reflects ownership of Cheltenham's system. Is that correct?

Ms. Hermann replied yes.

Commissioner Vahey questioned whether the Township's rates changed as a result of a change in ownership.

Ms. Hermann replied she does not believe they changed for this current cycle.

Commissioner Vahey referring to the fire companies' entries for preventive maintenance; a line item for preventive maintenance is not sufficient, and he would like to see details on what those monies are spent on.

Ms. Hermann replied she will inform them to update the purchase orders accordingly. Also, there is a preventive maintenance program that includes a document demonstrating specifically what they are permitted to pay for.

Commissioner Vahey asked for any comments from Commissioners. There were none.

Commissioner Vahey asked for any public comments.

Joe Rooney, Maple Avenue, commented that the rate of 7.5% return seems surprising to him and what was the rate of return for the past 10 years?

Manager Manfredi replied we will provide the assumption rate for the past 10 years as well as the actual return.

Ms. Hermann added that she will provide that information to Mr. Rooney.

MOTION was ADOPTED 5-0.

Item FC-02-090921:

Commissioner Vahey made a MOTION, seconded by Commissioner Carswell to recommend adoption of a resolution recognizing that the Township's MMO - minimum municipal funding obligation for the calendar year 2022 with respect to the Municipal Non-Uniformed Employees, Police and Non-Uniformed Employees Defined Contribution Plans is $689,000 and $3,079,000, respectively, and the baseline amount that currently exists is what the actuary will provide in advance of the Board of Commissioners Regular Meeting in September, without any changes in assumptions or returns.

Commissioner Vahey asked for any comments from Commissioners. There were none.

Commissioner Vahey asked for any public comments. There were none.

MOTION was ADOPTED 5-0.

Item FC-03-090921:

Ms. Kimberly Hamm, Director of Community Development, said this is a resolution that is a standard requirement for funding from DCED that has no financial impact on the Township. The Fair Housing Officer is where complaints are directed regarding fair housing issues and the default for the Township is either the County or State agencies located in our geographic region.

Commissioner Vahey questioned whether the request is to approve advertisement of a resolution or for a position.

Ms. Hamm replied the request is approval of a resolution so that the Fair Housing Officer for the Township can be publicly advertised to inform the residents that this would be the person to contact.

Commissioner Vahey made a MOTION, seconded by Commissioner Winegrad to recommend adoption of the Abington Township Fair Housing Resolution, and grant the authority to publicly advertise a Fair Housing Officer for the Township of Abington.

Commissioner Vahey asked for any comments from Commissioners. There were none.

Commissioner Vahey asked for any public comments. There were none.

MOTION was ADOPTED 5-0.

Item FC-04-090921:

Ms. Hamm said last February, the Finance Committee approved sending out an RFP for a consultant position to support the Township's homeowner-occupied rehabilitation program. DCED requested being extremely thorough in advertisement of this position thus we advertised for this position three times, and we received two proposals varying in cost estimates. As a result of the criteria of the RFP, we recommend proposal from Community Grants, Planning & Housing noting the estimated cost of $5,229.00 for projects total cost under $10,000; $6,069.00 for projects up to $25,000; $6,909.00 for projects up to $50,000; $7,749.00 for projects up to $75,000; $8,589.00 for projects over $75,000 and $600 per each additional inspection and report. Steele City Contracting proposal was about twice as much on all estimates.

Commissioner Vahey questioned whether the Township has any relationship with CGPH and is this paid from the CDBG budget?

Ms. Hamm replied she spoke with reps from Norristown Borough and Montgomery County, and they indicated they are happy with the work performed by CGPH. This is paid on a per project basis by a grant from DCED and the CDBG budget.

Commissioner Winegrad questioned whether it is considered administrative fees and he thought there was a cap on it. Also, he clarified that the contractor will be paid at the conclusion of the project. Is that correct?

Ms. Hamm replied it is considered project activity fees, although it is an administrative-type role, and because it is directly project-based, it is billed to the individual rehabilitation project costs, and most likely the contractor will be paid at the conclusion of the project based on HUD guidelines, but she will verify that.

CPGH does not actually do the rehabilitation work, they are construction managers as they do the walk-throughs to determine scope of work and manage the contractor making sure the work is performed per HUD compliance, and their contract is a three-year term, and the average rehabilitation period takes about six months.

Commissioner Winegrad clarified there will be a contract to review by the Board of Commissioners. Is that correct?

Manager Manfredi replied we will need to verify with HUD if a contract is required, and if not, we will have a letter of engagement based upon terms awarded via scope of duties/services and then a legal review and finalization.

Commissioner Winegrad said it is important to understand what the terms will be, although he is fully supportive.

Commissioner Vahey made a MOTION, seconded by Commissioner Myers to approve a contract for a residential rehabilitation specialist resulting from a Request for Proposal (RFP closed July 30, 2021).

Commissioner Vahey asked for any other comments from Commissioners. There were none.

Commissioner Vahey asked for any public comments.

Joe Rooney, Maple Avenue, asked why the Township is renovating houses.

Commissioner Vahey replied it is a longstanding program funded through DCED and HUD to rehabilitate homes to bring them up to code for income eligible occupants.

MOTION was ADOPTED 5-0.

Budget for Township Pools:

Commissioner Vahey noted the pool hours were cutback resulting in less of a need for lifeguards; so how does that impact the budget for the pools?

Manager Manfredi replied the pools operate with general fund support and there are fees received from memberships noting to-date is $213,000 and budgeted was $295,000. Revenue stream from the pool is not sufficient to cover all costs, so from the general budget, $75,000 is used to subsidize the pools and there is no excess. There will be a cost reduction by changing the hours of the pools by approximately $15,000-$16,000.

**PUBLIC COMMENT – on general matters relating to Finance:** There were none.

**ADJOURNMENT:** 8:24 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary