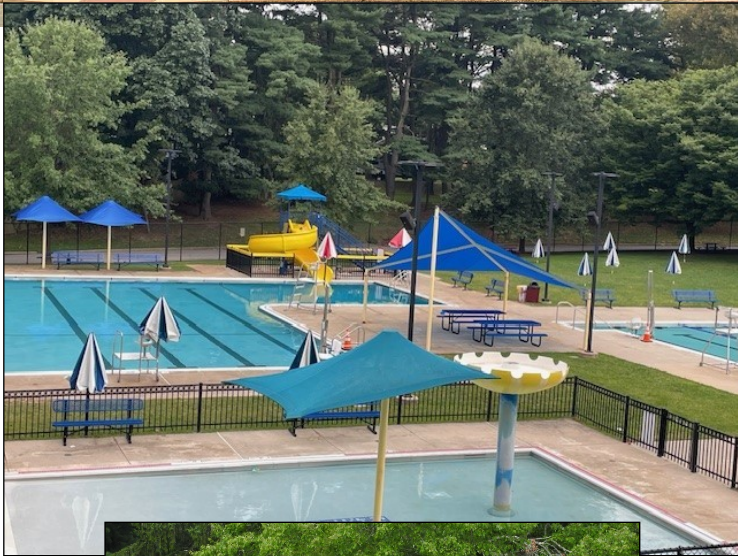


Township of Lower Merion Proposed 2025 Budget & 2025-2030 Capital Improvement Program



Finance Committee
November 13, 2024





Overview of Presentation

- I. 2024 Financial Performance**
- II. Proposed 2025 Budget Overview**
- III. Proposed 2025-2030 Capital Improvement Program (CIP) Overview**
- IV. Updated General Fund Financial Forecast**
- V. Next Steps**
- VI. Fund Balance Policy Discussion**



2024 Financial Performance





General Fund Financial Performance

General Fund (Million \$)	2023 Actual	2024 Budget	2024 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance (Undesignated)	\$ 24.6	\$ 26.9	\$ 29.7		
Revenues & Transfers In	78.7	72.5	72.0	\$ (0.6)	-0.8%
Expenses & Transfers Out	73.6	77.1	79.2	\$ 2.1	2.8%
Surplus/(Deficit)	\$ 5.1	\$ (4.5)	\$ (7.3)	\$ (2.7)	
Ending Fund Balance (Undesignated)	\$ 29.7	\$ 22.3	\$ 22.5		
Ending FB as a % of Operating Expenditures	40.4%	29.0%	28.4%		

- Revenues lower than budgeted by \$0.5 M due mainly to business tax revenue performance.
- Expenditures exceed budget by \$2.1 M including non-recurring transfer of \$2.0 M to Capital Projects Fund to finance year-end projects.
- Township is projected to end 2024 with an ending fund balance of \$22.5 M or 28% of expenses



2024 General Fund Revenue Trends

- 2024 GF Revenue Estimated Actual is \$6.8 M or 8.6% lower than the 2023 Actual
- 2024 GF Revenue Estimated Actual is \$560k or 0.8% lower compared to 2024 Budget

General Fund Revenue	2023 Actual	2024 Adopted Budget	2024 Estimated Actual	\$ Variance	% Variance
Licenses & Permits	\$ 6,606,062	\$ 6,349,000	\$ 6,601,200	\$ 252,200	4.0%
Investment Income	2,241,477	2,000,000	2,250,000	250,000	12.5%
PMHIC Refund	1,116,895	1,130,000	1,310,000	180,000	15.9%
Recreation Programs	823,497	835,000	950,000	115,000	13.8%
Solid Waste Fund Transfers In	601,800	601,800	521,800	(80,000)	-13.3%
Real Estate Transfer Tax	5,000,479	4,700,000	4,600,000	(100,000)	-2.1%
Current & Interim RE Taxes	31,797,311	31,825,000	31,720,000	(105,000)	-0.3%
All Other Revenues	7,889,996	7,727,200	7,604,650	(122,550)	-1.6%
Police Services	1,873,449	1,850,000	1,450,000	(400,000)	-21.6%
Business and Mercantile Taxes	20,773,121	15,500,000	14,950,000	(550,000)	-3.5%
Total Revenue	\$ 78,724,087	\$ 72,518,000	\$ 71,957,650	\$ (560,350)	-0.8%



2024 General Fund Expenditure Trends

- General Fund 2024 expenditure performance is estimated at \$3.6 M or 4.9% higher than the 2023 Actual
- 2024 General Fund Expenditure Estimated Actual is \$150k or 0.2% higher than the 2024 Budget

	2023 Actual	2024 Adopted Budget	2024 Estimated Actual	\$ Variance	% Variance
General Fund Expenditures					
Machinery & Equipment	383,386	466,023	540,823	74,800	16.1%
Materials & Operating Supplies	820,559	1,061,700	1,111,152	49,452	4.7%
Employee Benefits	12,024,573	11,864,330	11,899,945	35,615	0.3%
All Other Expenditures (Net)	21,936,726	22,777,050	22,808,286	31,236	0.1%
Equipment Furniture & Software	149,554	143,943	154,943	11,000	7.6%
Other Personal Services	716,990	832,989	774,071	(58,918)	-7.1%
Other Compensation	4,028,187	4,339,773	4,187,430	(152,343)	-3.5%
Professional Technical Services	2,123,285	2,800,908	2,409,686	(391,222)	-14.0%
Salaries	\$ 31,402,974	\$ 35,380,296	\$ 33,330,508	\$ (2,049,788)	-5.8%
Expenditure Subtotal	73,586,234	79,667,012	77,216,844	(2,450,168)	-3.1%
Budgetary Savings Anticipated		(2,600,000)			
Transfer to Capital Projects Fund			2,000,000		
Total Expenditures	73,586,234	77,067,012	79,216,844	2,149,832	2.8%



Proposed 2025 Budget Overview





Proposed 2025 Budget

General Fund (Million \$)	2024 Budget	2025 Budget	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance	\$ 26.9	\$ 22.5		
Revenues & Transfers In	72.5	75.8	\$ 3.3	4.5%
Expenses & Transfers Out	77.1	80.1	\$ 3.1	4.0%
Surplus/(Deficit)	\$ (4.5)	\$ (4.4)	\$ 0.2	
Ending Fund Balance	\$ 22.3	\$ 18.1		
Ending FB as a % of Annual Operating Expenditures	29.0%	22.6%		

- Proposed 2025 Budget recommends:
 - a 5.0% Real Estate Tax increase, the first increase since 2011
 - One-time transfer of \$1.4 M in unrestricted ARP interest earnings.
- Proposed RE Tax increase and ARP interest transfer reduces deficit to a \$4.4 M budget gap to be filled by a drawdown on the GF fund balance down to \$18.1 M or 22.6% of expenses.
- Absent these two revenue recommendations, deficit would increase to approx. \$7.4 M, resulting in a year-end FB of \$15 M or 18.9% of expenses.



2025 Real Estate Taxes by Assessed Value

Assessed Value	School * 33.911 mills	County* 5.178 mills	Township 4.40 mills	Total 43.489 mills
\$200,000	\$6,782	\$1,036	\$880	\$8,698
\$300,000	\$10,173	\$1,553	\$1,320	\$13,047
\$350,000	\$11,869	\$1,812	\$1,540	\$15,221
\$400,000	\$13,564	\$2,071	\$1,760	\$17,396
\$500,000	\$16,956	\$2,589	\$2,200	\$21,745
\$600,000	\$20,347	\$3,107	\$2,640	\$26,093

*School millage based on 2024-2025 tax year. County millage based on 2024 tax year; County proposed 2025 millage not available at time of publication.

- A resident with a single family detached home assessed at Township approximate average assessment of \$350,000 would pay \$1,540 in Township real estate taxes in 2025 or approximately \$128 per month for Township services
- The same resident would pay \$1,812 to Montgomery County and \$11,869 to the Lower Merion School District



2025 Proposed Real Estate Taxes

- A 5.0% tax increase would raise an additional \$1.6 M in revenue compared to the 2024 rate.
- The median single family detached home assessed (valued at \$350,000) would pay an additional \$74 in Township real estate taxes in 2025 compared to 2024.

Assessed Value	2024 RE Tax 4.19 mills	2025 RE Tax 4.40 mills	Increase
\$200,000	\$838	\$880	\$42
\$300,000	\$1,257	\$1,320	\$63
\$350,000	\$1,467	\$1,540	\$74
\$400,000	\$1,676	\$1,760	\$84
\$500,000	\$2,095	\$2,200	\$105
\$600,000	\$2,514	\$2,640	\$126



2025 General Fund Revenue – Assessed Value

- Total Assessed Value is projected at \$7.747 billion, a 0.46% decrease from the 2024 Assessed Value of \$7.783 billion

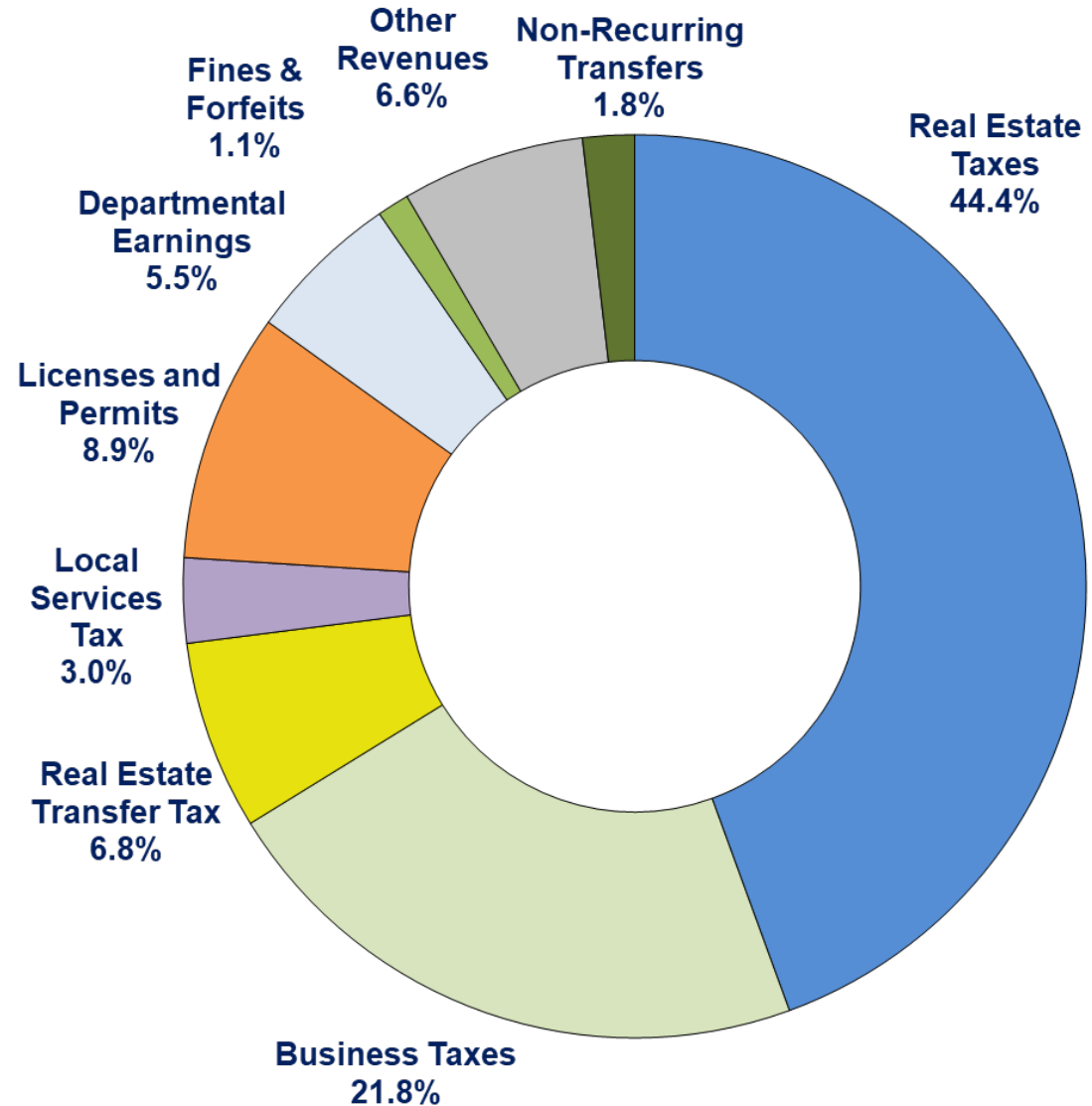
Year	Assessed Valuation	% Inc	Estimated Market Value
2016	7,532,920,959	0.55%	13,427,666,594
2017	7,568,106,739	0.47%	13,989,106,726
2018	7,614,127,299	0.61%	14,958,992,729
2019	7,644,986,789	0.41%	15,507,072,594
2020	7,662,967,859	0.24%	16,338,950,659
2021	7,681,415,369	0.24%	17,222,904,415
2022	7,745,502,769	0.83%	19,608,867,770
2023	7,779,692,629	0.44%	21,914,627,124
2024	7,782,970,029	0.04%	23,656,443,857
2025	7,747,329,049	-0.46%	23,548,112,611



2025 General Fund Revenues

\$75,780,800

- Real Estate Taxes \$33,670,000
- Real Estate Transfer Tax \$5,135,000
- Business Taxes \$16,500,000
- Local Services Tax \$2,300,000
- Licenses & Permits \$6,766,000
- Fines & Forfeits \$870,000
- Departmental Earnings \$4,165,000
- Other Revenue \$4,974,800
- Non-Recurring Transfers \$1,400,000





2025 General Fund Revenue

- 2025 GF Revenue Budget is \$75.8 million which is \$3.3 million or 4.5% higher than the 2024 Adopted Budget

	2024 Adopted Budget	2025 Proposed Budget	\$ Change From 2024 Budget	% Change From 2024 Budget
General Fund Revenue				
Current & Interim RE Taxes	\$ 31,825,000	\$ 33,295,000	\$ 1,470,000	4.6%
ARP Interest Transfer In	-	1,400,000	1,400,000	--
Business and Mercantile Taxes	15,500,000	16,500,000	1,000,000	6.5%
Real Estate Transfer Tax	4,700,000	5,135,000	435,000	9.3%
Licenses & Permits	6,349,000	6,766,000	417,000	6.6%
Recreation Programs	835,000	975,000	140,000	16.8%
All Other Revenues	8,329,000	8,405,800	76,800	0.9%
Police Services	1,850,000	1,450,000	(400,000)	-21.6%
PMHIC Refund	1,130,000	529,000	(601,000)	-53.2%
Investment Income	2,000,000	1,325,000	(675,000)	-33.8%
Total Revenue	\$ 72,518,000	\$ 75,780,800	\$ 3,262,800	4.5%



2025 General Fund Revenue

- 2024 General Fund Revenue Budget is \$3.8 M or 5.3% greater than 2024 Estimated Actual due proposed 5.0% real estate tax increase, one time transfer in of unrestricted ARP interest, and growth in business and transfer taxes. Return to baseline zoning/subdivision revenue expected.
- Significant declines in PMHIC refund and investment income anticipated.

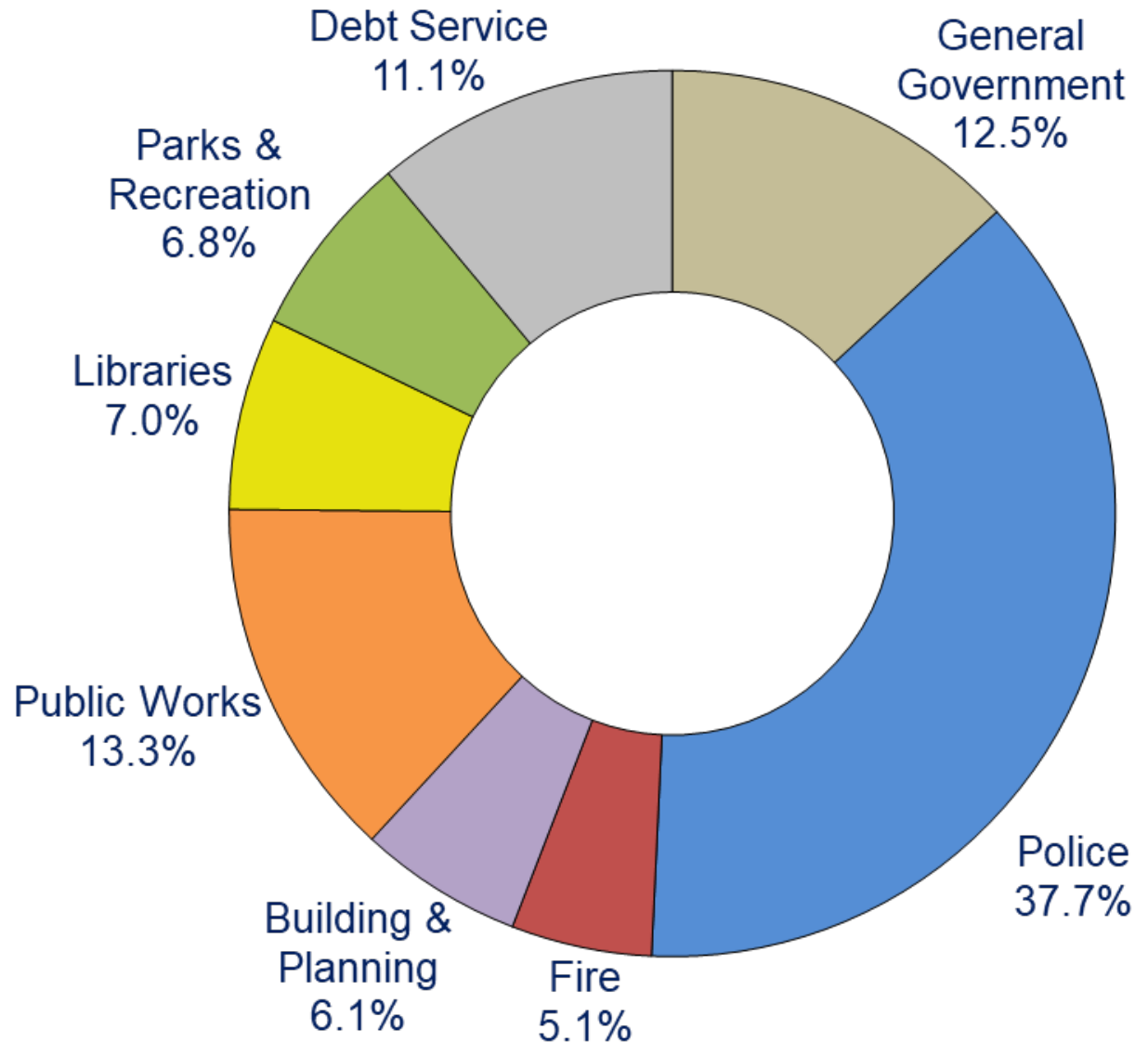
	2024 Estimated Actual	2025 Proposed Budget	\$ Change From 2024 EA	% Change From 2024 EA
General Fund Revenue				
Current & Interim RE Taxes	\$ 31,720,000	\$ 33,295,000	\$ 1,575,000	5.0%
ARP Interest Transfer In	-	1,400,000	1,400,000	--
Business and Mercantile Taxes	14,950,000	16,500,000	1,550,000	10.4%
Real Estate Transfer Tax	4,600,000	5,135,000	535,000	11.6%
Licenses & Permits	6,601,200	6,766,000	164,800	2.5%
Zoning & Subidivision	420,000	510,000	90,000	21.4%
All Other Revenues	10,106,450	10,320,800	214,350	2.1%
PMHIC Refund	1,310,000	529,000	(781,000)	-59.6%
Investment Income	2,250,000	1,325,000	(925,000)	-41.1%
Total Revenue	\$ 71,957,650	\$ 75,780,800	\$ 3,823,150	5.3%



2025 General Fund Expenditures

\$80,132,339

- Police
\$30,180,437
- Public Works
\$10,650,185
- General Government
\$10,486,319
- Debt Service
\$ 8,872,901
- Libraries
\$5,629,742
- Parks & Recreation
\$5,410,710
- Building & Planning
\$4,791,940
- Fire
\$4,110,105





2025 General Fund Expenditures

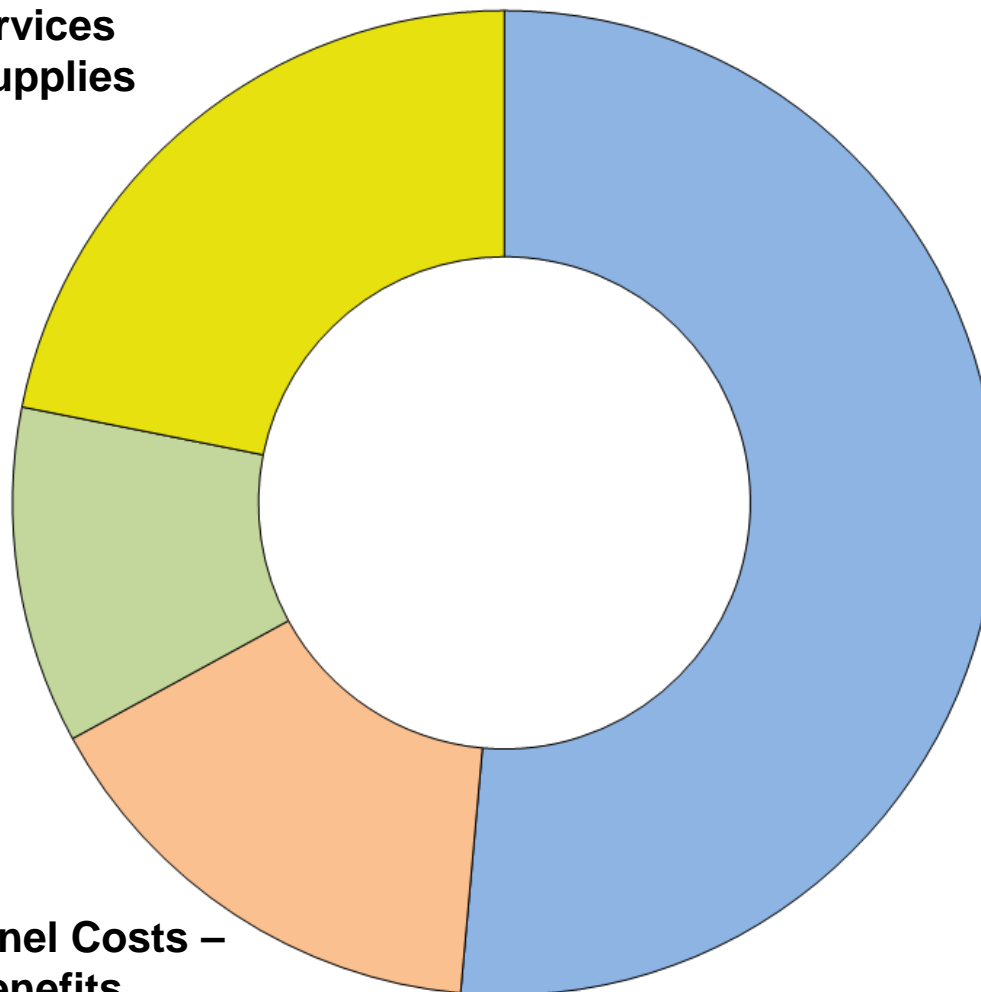
\$80,132,339

All Other Expenses = 21.9%

- Utilities
- Professional Services
- Materials and Supplies
- EF Rental Rates
- Fire Company Contributions

Debt Service
11.1%

Personnel Costs –
Benefits
15.6%



Personnel Costs –
Salaries
& Other
Compensation
51.4%



2025 General Fund Expenditures

- 2025 General Fund Proposed Expenditure Budget is \$3.1 M or 4.0% more than the 2024 Adopted Budget

	2024 Adopted Budget	2025 Proposed Budget	\$ Change From 2024 Budget	% Change From 2024 Budget
General Fund Expenditures				
Salaries	\$ 35,380,296	\$ 37,072,864	\$ 1,692,568	4.8%
Employee Benefits	11,864,330	12,525,831	661,501	5.6%
Township Equipment Rental	3,262,935	3,642,178	379,243	11.6%
Contracted Services	1,714,593	2,017,349	302,756	17.7%
Other Expenditures	9,513,527	9,804,358	290,831	3.1%
Budgetary Savings Anticipated	(2,600,000)	(2,385,000)	215,000	8.3%
Maint - Software, Equip, etc.	1,412,611	1,578,109	165,498	11.7%
Sustainability Expenditures	30,100	147,683	117,583	390.6%
Contributions	2,650,143	2,725,440	75,297	2.8%
Other Compensation	4,339,773	4,130,626	(209,147)	-4.8%
Debt Service	9,498,704	8,872,901	(625,803)	-6.6%
Total General Fund Budget	\$ 77,067,012	\$ 80,132,339	\$ 3,065,327	4.0%



2025 General Fund Expenditures

Trends driving the \$3.1M (4.0%) of additional expenditures vs 2024

- Salaries & Wages – 3.5% salary increases. +3 new FT positions in General Fund Budget. Nearly 25% of existing FT employees are due a step increase in 2025.
- Vacancy Savings – Based on recent experience, staff reduced the estimated vacancy savings budgeted by \$215,000 compared to 2024, increasing net costs.
- Township Equipment Rental – Reflection of escalating maintenance/repair costs and equipment replacement cost trends.
- Contracted Services – Driven by added operating costs associated with Police Dept contract for new records management system (RMS), body-worn and in-car cameras, and tasers.
- Sustainability expenditures – Tree Inventory in Public Parks and net Township cost of Compost Grant Year 1.



2025 General Fund Expenditures

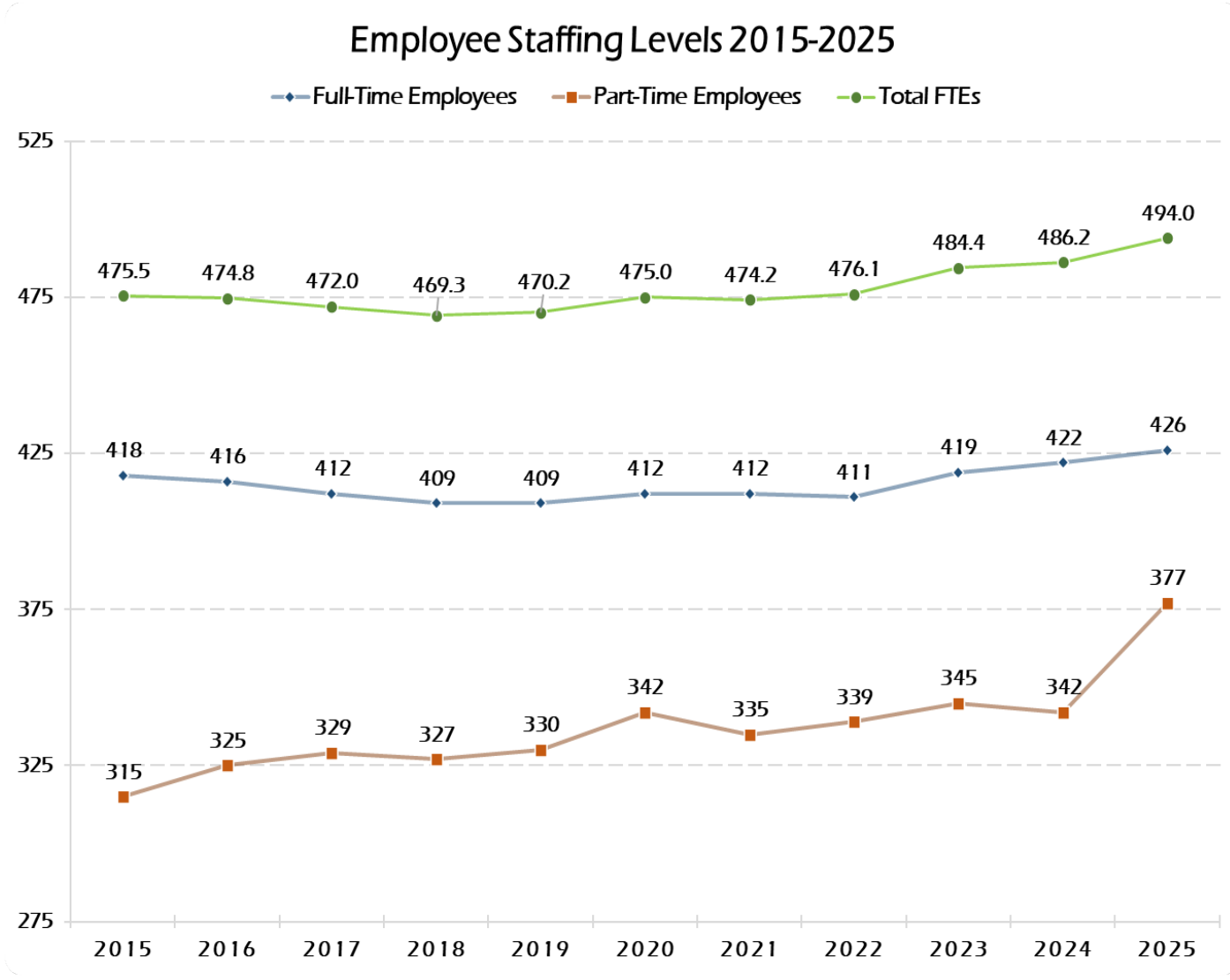
- 2025 General Fund Expenditure Budget is \$2.9 million higher than the 2024 Estimated Actual due mainly to personnel related increases, the increased equipment fund rental rate, professional and contracted services.

	2024 Estimated Actual	2025 Proposed Budget	\$ Change From 2024 EA	% Change From 2024 EA
General Fund Expenditures				
Salaries (Net)	\$ 33,330,508	\$ 34,687,864	\$ 1,357,356	4.1%
Employee Benefits	11,899,945	12,525,831	625,886	5.3%
Township Equipment Rental	3,262,935	3,642,178	379,243	11.6%
Professional & Technical Services	2,409,686	2,688,267	278,581	11.6%
Contracted Services	1,724,871	2,017,349	292,478	17.0%
Other Expenditures	11,630,555	11,994,208	363,653	3.1%
Maint - Software, Equip, etc.	1,422,501	1,578,109	155,608	10.9%
Sustainability Expenditures	21,600	147,683	126,083	583.7%
Communications Expense	1,374,166	1,239,349	(134,817)	-9.8%
Insurance & Claims	641,580	738,600	97,020	15.1%
Debt Service	9,498,497	8,872,901	(625,596)	-6.6%
Expenditure Subtotal	\$ 77,216,844	\$ 80,132,339	\$ 2,915,495	3.8%
Transfer to Capital Projects Fund	2,000,000			
Total Expenditures	79,216,844	80,132,339	\$ 915,495	1.2%



2025 General Fund Expenditures - Personnel

- Full-time staffing is up four positions versus 2024
- Parks & Rec added part-time staffing (but at reduced hours per PT position)
- Budget includes wage increases of 3.5% per labor agreements with FOP and WA
- Board action needed for non-union staff





2025 General Fund Expenditures – Employee Benefits

- The Township's membership in the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) continues to restrain healthcare cost increases
 - A 1.4% increase for medical and prescription premiums are expected in 2025; however, overall costs are expected to increase further with more employees projected to be enrolled in coverage
 - Dental and vision premiums are being extended at their 2024 rates; slightly higher costs expected due to enrollment increases
- Township will be required to make an estimated \$510,000 contribution to the Township's pension plans in 2025
- Other employee benefits are projected to increase with payroll costs (e.g., payroll taxes, anticipated workers comp claims)



2025 General Fund Expenditures - Debt

- Availability of American Rescue Plan (ARP) Act funds and transfers from General Fund reserves have allowed the township to forgo borrowing since 2022.
- Total outstanding debt for the General Fund and Sanitary Sewer Fund will be \$78.1 million at the end of 2024
- General Fund debt service will decrease by \$625,000 or 6.6% compared to the 2024 Budget
- At 11.1% of the 2025 Budget, debt service is at its lowest proportion of General Fund expenditures in over a decade
- The Proposed Capital Budget is projected to require additional debt issuance in early 2025.



2025 General Fund Budget

- Proposed 2025 Budget is focused on continuing to provide high-quality services to Township residents. The following items may warrant further discussion and direction from the Board:
 - Consideration of the proposed 5.0% real estate tax increase and the transfer of \$1.4 M in unrestricted ARP interest earnings.
 - Contribution level to the Township's six volunteer fire companies are budgeted to increase by 3% but may be modified by the Board
 - Contributions to outside agencies included within the Non-Departmental budget are budgeted at 2024 levels and may be modified by the Board
 - Direction on non-union wage increases
 - Size and scope of the 2025 capital budget which will eventually impact debt service
 - Other items from budget discussions or other issues raised through the budget process by any Board member



**Proposed 2025-2030
Capital Improvement Program
(CIP) Overview**





2025-2030 Capital Improvement Program (CIP)

- 2025 Proposed Capital Projects Budget includes **\$64.6 million** of capital projects Township-wide including improvements to the Township's facilities, roadways, sewer pumping stations, libraries and various park and trail related projects.
- Township typically funds the Township's portion of the CIP with 20-year GO Bonds. The Township funding is supplemented with Federal, State, County funds, recreation development fees, and Liquid Fuels funding.
 - ARP funds account for 25% of all CIP funding sources in 2025 Capital Budget
 - The Township will need to consider debt issuance in early 2025 to fund Township CIP.
 - Current CIP figures suggest \$23 M - \$25 M in new money borrowing, but ability to administratively implement this size CIP will likely delay a portion of 2025 CIP appropriations into 2026.



2025-2030 Capital Improvement Program (CIP)

- Top 10 CIP Projects represent 61% or \$39.6 million of the total 2025 Capital Budget

CIP Projects (all revenue sources)		CIP Job Number	2024 Capital Budget
1.	Ardmore Avenue Community Center and Center for Positive Aging in Lower Merion	4508	\$ 9,500,000
2.	Affordable Housing	4097	5,100,000
3.	Stormwater Facilities Management Project	4652	5,088,000
4.	Ashbridge Memorial Park Master Plan Implementation	4489	4,964,000
5.	Fire Apparatus Replacement Fund	4404	3,538,000
6.	Playground Replacement Program	4492	2,758,000
7.	Fire Companies Facility Project	4405	2,515,000
8.	Bicycle and Pedestrian Path System Implementation	4477	2,285,000
9.	Sidewalk Installations	4247	1,936,000
10.	City Avenue Transportation Service Area Improvement Program	4092	1,900,000
Total Top 10 Capital Projects			39,584,000
All other capital projects			25,029,000
Total Capital Projects			\$ 64,613,000



Updated General Fund Financial Forecast





Updated General Fund Financial Forecast

Financial Forecast Assumptions:

- Revised revenue and expenditure growth assumptions based on current economic outlook, inflationary environment and projected known future cost increases
- Future wage growth is based on current labor agreements
- Forecasted growth in total assessed value based upon status of current developments offset partially by assessment appeals
- Assumes current levels of Township services and staffing as included in Proposed 2025 Budget
- Anticipates future debt issuance consistent with the Township's recent history
- Continuation of the General Fund asset replacement contribution to the Equipment Fund at the 65% level



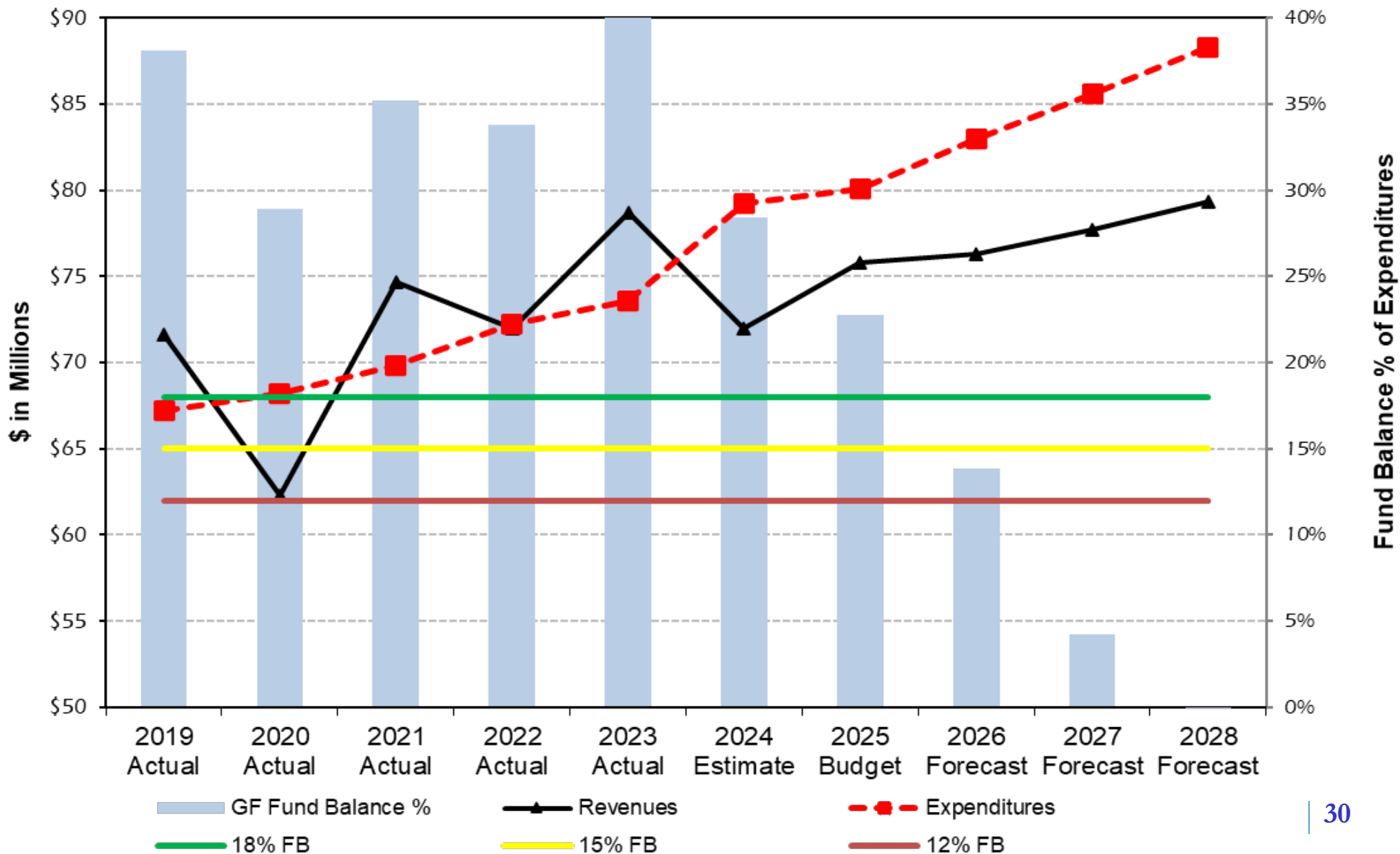
Updated General Fund Financial Forecast

General Fund (Million \$)	2024 Estimate	2025 Budget	2026 Forecast	2027 Forecast	2028 Forecast
Beginning Fund Balance (Undesignated)	\$ 29.7	\$ 22.4	\$ 18.1	\$ 11.4	\$ 3.7
Revenues & Transfers In	72.0	75.8	76.3	77.9	79.5
Expenses & Transfers Out	79.2	80.1	83.0	85.6	88.3
Surplus/(Deficit)	(7.3)	(4.4)	(6.7)	(7.7)	(8.8)
Ending Fund Balance (Undesignated)	\$ 22.4	\$ 18.1	\$ 11.4	\$ 3.7	\$ (5.1)
Ending FB (% of Operating Expenditures)	28.3%	22.6%	13.7%	4.3%	-5.8%
Ending FB (% of Operating Expenditures) @ 18%	\$ 14.3	\$ 14.4	\$ 14.9	\$ 15.4	\$ 15.9
Additional Funds needed to maintain 18% FB	\$ (8.2)	\$ (3.7)	\$ 3.6	\$ 11.7	\$ 21.0
Ending FB (% of Operating Expenditures) @ 15%	\$ 11.9	\$ 12.0	\$ 12.5	\$ 12.8	\$ 13.2
Additional Funds needed to maintain 15% FB	\$ (10.6)	\$ (6.1)	\$ 1.1	\$ 9.2	\$ 18.4
Ending FB (% of Operating Expenditures) @ 12%	\$ 9.5	\$ 9.6	\$ 10.0	\$ 10.3	\$ 10.6
Additional Funds needed to maintain 12% FB	\$ (12.9)	\$ (8.5)	\$ (1.4)	\$ 6.6	\$ 15.7

- Forecast assumes no real estate tax millage increases after 2025
- Fund balance level would fall below 15% of expenditures in 2026 and below 12% in 2027



Updated General Fund Financial Forecast





Updated General Fund Financial Forecast

- The Township's current financial outlook impacted by 2024 budgeted deficit coming to fruition. Recent financial history has been impacted by staff turnover, inflation, higher interest rates, and business tax revenue volatility.
- Depth of 2025 deficit without a tax increase and the corresponding financial outlook for the 2026 budget cycle led to 2025 tax increase recommendation while larger economy remains in stable condition.
- Remain optimistic on Township's financial future based on the fact the Township has historically outperformed its financial forecasts.
- Baseline projections suggest financial challenges may come that will require difficult choices to build a balanced budget in the future.



Next Steps





Next Steps

- 2025 Tax Levy and Appropriations Ordinance
 - Approves advertisement of the Proposed 2025 Budget and the Real Estate Tax Millage Rate (4.40 mills)
 - Board retains the ability to amend the Budget in any way up until formal adoption of the Budget
- 1st Public Hearing on Proposed Budget and CIP: Nov 20th
- 2nd Public Hearing on Proposed Budget and CIP: December 4th
 - Budget Amendments
- Adoption of 2025 Budget and 2025-2030 CIP: Dec 18th (part of BOC regular meeting)



Fund Balance Discussion





Fund Balance Discussion

- Credit rating agencies consider many factors when evaluating a municipality's creditworthiness:
 - regional economy, resident household income, municipal financial performance, reserves, management, and debt/liabilities.
 - Reserve ratio is likely the credit factor the Township can most directly impact in the short-term.
- Each agency considers data from multiple township funds. However, the General Fund represents 75%+ of financials considered, so the GF balance is the main driver of overall fund balance scoring.
- Fund balance also provides operating capital at start of year prior to receipt of real estate and business taxes.



Fund Balance Discussion

- Moody's updated its credit scoring methodology in 2022.
- Fund Balance Ratio is 20% weight in overall score
 - Liquidity, a related measure, another 10%
- Current scoring on this subfactor is as follows:

	Aaa	Aa	A	Baa	Ba
Available Fund Balance Ratio	≥ 35%	25 - 35%	15 - 25%	5 - 15%	0 - 5%



Fund Balance Discussion

Proposed Policy would update the thresholds as follows:

Fund Balance Policy	Current	Proposed
Minimum	12%	17%
Recommended Range	15 - 18%	20 - 25%

- Minimum increased to approx. 2 months reserves (as recommended by Government Finance Officers Association (GFOA))
- Increased recommended range up to 3 months reserves
 - Positive performance versus budget would lead to frequent scoring in highest or second-best score on this credit factor
 - Cash flow relevance: two largest GF revenue sources are due at end of March (real estate taxes discount period) and mid-April (business taxes).