

TOWNSHIP OF LOWER MERION 2025 Sanitary Sewer Fund Forecast



Finance Committee
April 2, 2025





Overview of Sanitary Sewer Fund

- Sanitary Sewer Fund (SSF) is an enterprise fund
 - User fees (sewer rate) set at full cost recovery
- Township Code (Chapter 126) requires the Board to set annual Sanitary Sewer Rental Fee (SSRF) to cover annual projected operating expenses plus:
 - Debt service (principal and interest)
 - 10% SSF fund balance reserve
- SSRF is based on prior year water consumption readings provided by Aqua
 - 2025 Sanitary Sewer billing is based on 2024 water consumption data



Overview of Sanitary Sewer System

- Public Works Sanitary Sewer Division maintains over 235 miles of sewer lines and 17 pumping stations throughout the Township
- Supervises and inspects all sanitary sewer construction and new lateral connections to the sewer system
- Cleans and inspects the sanitary sewer system
- Perform a wide range of maintenance activities including:
 - Grouting sewer lines to prevent water infiltration
 - Maintaining aging sewer lines via slip lining and other cost-effective methods
- Currently billing approximately 16,700 accounts annually



Sanitary Sewer Fund Revenues

- 2025 projected operating revenues of \$8.98 million; a 2.6% increase due to billable water consumption growth
 - SSRF primary source of revenue (\$7.1 - \$7.6 million annually depending on billable consumption volume)
 - Strong collection rate over 80% paid in discount period; Township usually collects around 100% of flat billing due to payments made during penalty periods
 - SSRF billing fluctuates with water consumption and water conservation efforts
 - Credit provision for customers diverting water from sewer system (special meters)
 - Other revenues derived from charges for services (connection fees, revenue from other municipalities), investment income and other sources



Sanitary Sewer Rental Fee

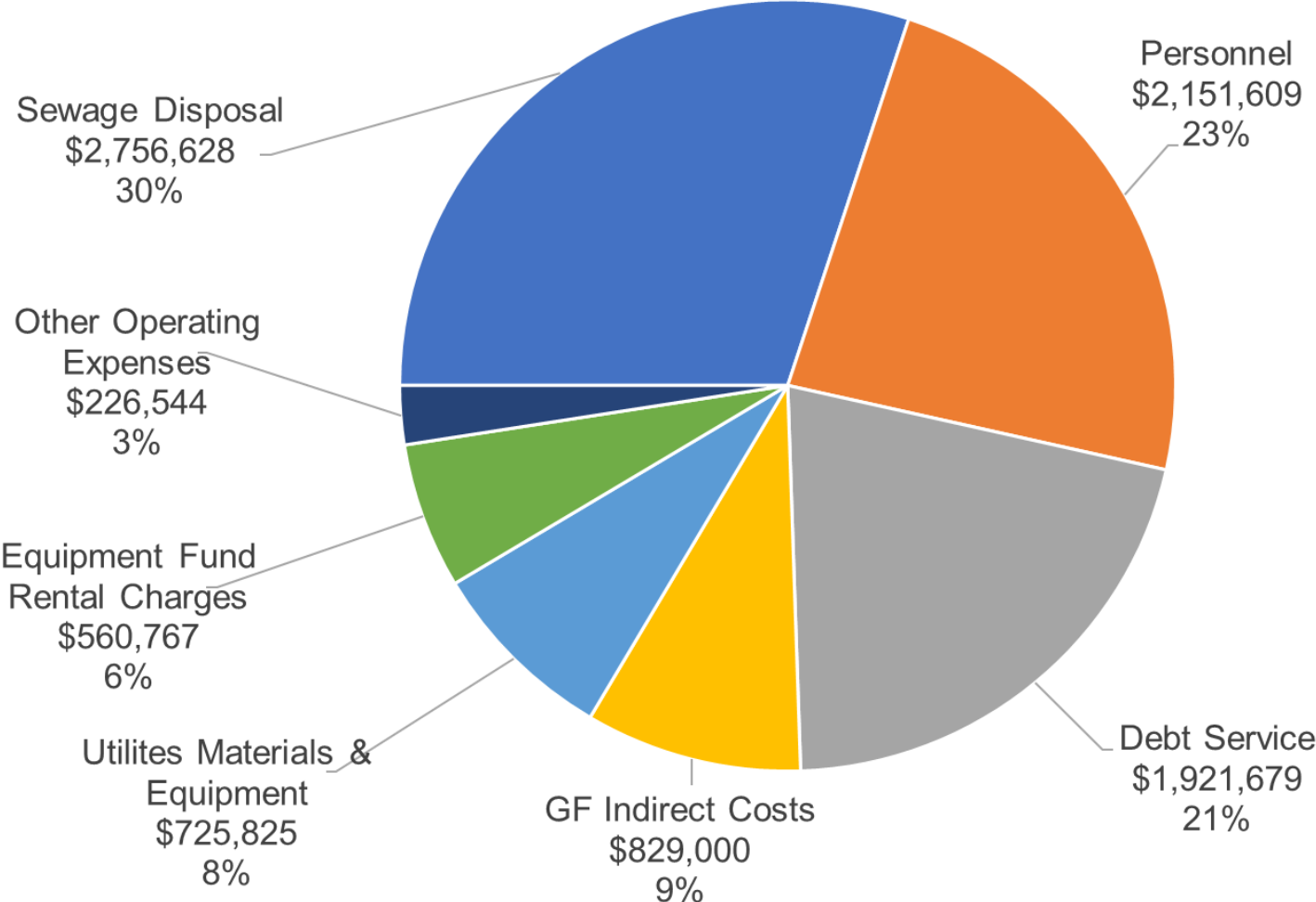
- Sanitary Sewer Fund rental fee has been \$4.51 since 2012
 - 2025 billable water consumption increased by 5.6% vs 2024
 - 2025 billable gallons reflects water consumption for the period of 1/1/2024 - 12/31/2024

Year	Billable Gallons (Mgal)	Mgal Inc/(Dec)	% Inc/(Dec)
2016	1,700	67	4.1%
2017	1,608	(92)	-5.4%
2018	1,610	2	0.1%
2019	1,592	(18)	-1.1%
2020	1,559	(33)	-2.1%
2021	1,616	57	3.7%
2022	1,622	6	0.4%
2023	1,607	(15)	-0.9%
2024	1,578	(29)	-1.8%
2025	1,667	89	5.6%



Sanitary Sewer Fund Expenditures

- Operating 2025 expenditures are projected to be \$9.1 million in 2025





Sanitary Sewer Fund Financial Forecast

Sanitary Sewer Operating Fund	2024 Actual*	2025 Forecast	25 vs. 24 \$ Chg.	25 vs. 24 % Chg.
Beginning Fund Balance (Operating)	\$ 2.77	\$ 2.54	\$ (0.23)	-8.3%
Revenues	8.75	8.97	0.22	2.5%
Expenses	8.98	9.17	0.19	2.1%
Surplus/(Deficit)	(0.23)	(0.20)		
Ending Fund Balance (Operating)	\$ 2.54	\$ 2.34		
Fund Balance % of Expenses	28.3%	25.5%		

*Preliminary pre-audit financial results

- Stronger than anticipated starting position in 2024 and moderate drawdown of operating fund balance kept the SSF fund balance strong heading into 2025
 - Revenues projected with SSRF rate of \$4.51 unchanged from 2025
 - Expenditures projected higher compared to 2024
 - Project a drawdown of fund balance reserves this year and will monitor going forward



Sanitary Sewer Fund Financial Forecast

	2025	2026	2027
Sanitary Sewer Operating Fund	Forecast	Forecast	Forecast
Beginning Fund Balance (Operating)	\$ 2.54	\$ 2.34	\$ 1.55
Revenues	8.97	8.91	8.90
Expenses	9.17	9.70	9.80
Surplus/(Deficit)	(0.20)	(0.79)	(0.90)
Ending Fund Balance (Operating)	\$ 2.34	\$ 1.55	\$ 0.65
Fund Balance % of Expenses	25.5%	16.0%	6.6%

- Revenues flat with small consumption decline assumption at current rates; possible positive variance with development connection fees
- Increase in expense from 2025 to 2026 primarily due to new debt costs with 2025 bond issuance, personnel and sewage disposal cost assumptions.
- Anticipated deficit growth suggest rate increase in 2026 or 2027 might be required to maintain 10% fund balance through end of projection period.



Proposed Sanitary Sewer Rental Fee

- Lower Merion's sewer rate remains the lowest when compared to other area municipalities' sewer rates that bill sewer based on water consumption (all per 1,000 gallons):
 - \$4.51 = Lower Merion Township (2025 Proposed)
 - \$5.15 = Haverford Township
 - \$9.75 = Marple Township
 - \$10.10 = Newtown Township District #2
 - \$11.32 – Newtown Township District #3
 - \$13.11 = Radnor Township



Proposed Sanitary Sewer Rental Fee

■ Next Steps:

- BOC approves advertisement of Ordinance adopting the 2025 SSRF and Public Hearing on April 23rd
- BOC holds Public Hearing and adopts Ordinance setting the 2024 SSRF at \$4.51 on May 21st
- 2025 Sanitary Sewer Bills are mailed to customers around June 1st
 - 60 day discount period (2%)
 - 60 day flat period
 - 10% penalty after 120 days
 - 20% penalty beginning December 1st