

Township of Lower Merion

2025 Financial Forecast Update

General Fund & Solid Waste Fund



Finance Committee
July 30, 2025





Overview of Presentation

- I. 2024 and Forecasted 2025 Financial Performance**
- II. General Fund Revenue Trends**
- III. General Fund Expenditure Trends**
- IV. Preliminary Solid Waste Fund Trends & Forecast**
- V. 2026 Budget Next Steps**



2024 & Forecasted 2025 Financial Performance





General Fund Financial Forecast Update

Recap since previous forecast:

- 2025 Adopted Budget anticipating use of \$4.0 M in fund balance.
- Issued \$24.1 M General Obligation (GO) Bonds to finance portion of Capital Improvement Program (CIP).
- CIP Workshop conducted in June provided direction on the Board's priorities for the 2026 Capital Budget and the 2026-2031 CIP.
- Township's 2024 Audit completed and available via Township's website.



General Fund Financial Status

General Fund (Million \$)	2024 Actual	2025 Budget	2025 Estimate	\$ Variance vs. Budget	% Variance vs. Budget
Beginning Fund Balance - January 1st	\$ 29.7	\$ 22.5	\$ 24.5		
Revenues & Transfers In	72.6	76.3	76.4	\$ 0.1	0.1%
Expenditures & Transfers Out	77.8	80.3	79.4	(0.9)	-1.1%
Surplus/(Deficit)	(5.2)	(4.0)	(3.0)	1.0	
Ending Fund Balance - December 31st	24.5	18.4	21.5		
Ending FB as a % of Expenditures	31.5%	22.9%	27.1%		

- 2024 General Fund: draw down of fund balance by \$5.2M, including \$2.0M transfer to Capital Projects Fund.
- 2025 revenues: positive business tax performance and interest earnings offsetting underperformance of real estate transfer tax, real estate assessment appeals, and health care consortium refunds.
- 2025 expenditures forecasted to come in slightly below budget due to position vacancy savings beyond expectations and continue to accrue.



General Fund Revenue Trends





General Fund Revenue Trends

Positives

- Bounce-back in business tax receipts and several successful delinquent case closures.
- Licenses & Permits and Interest Income trending to beat Budget by \$300k each.

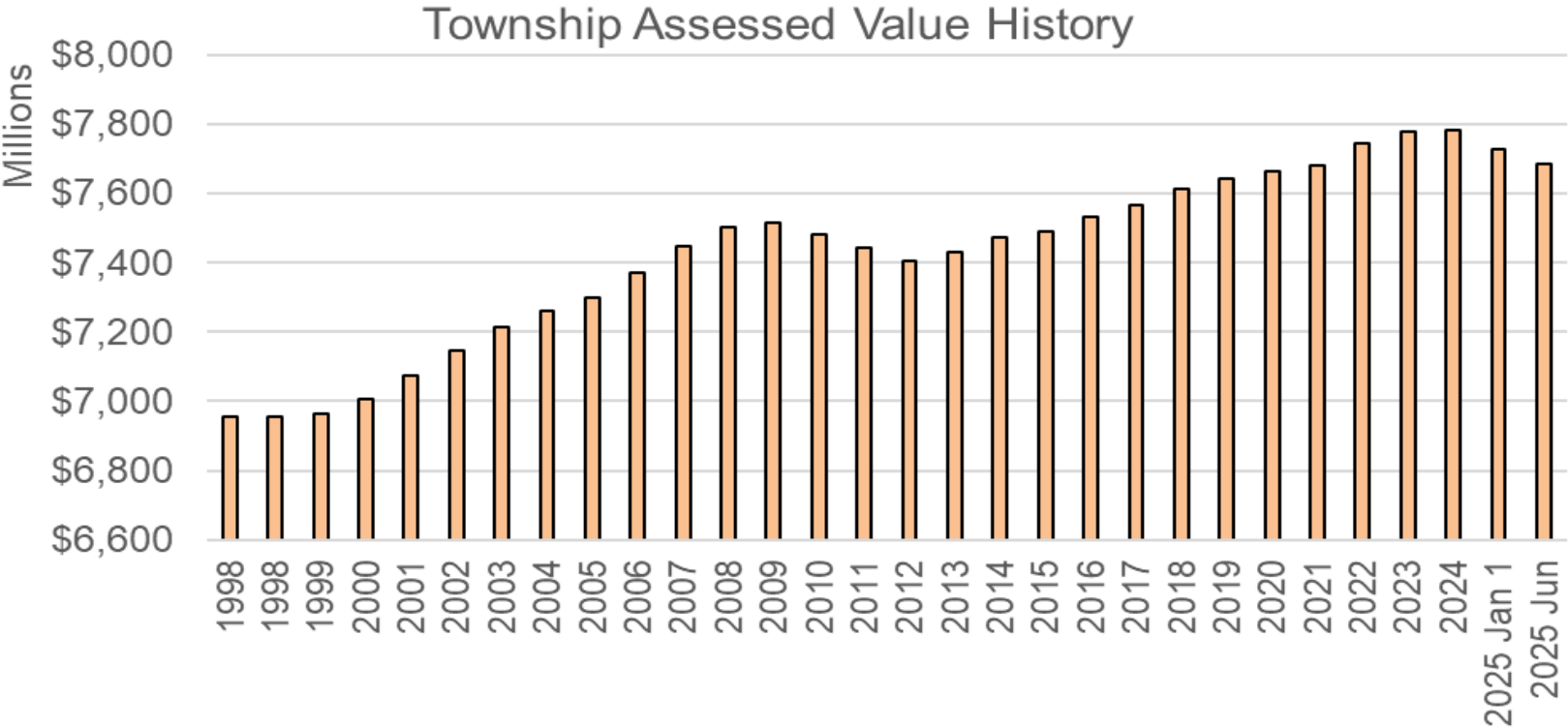
Negatives

- Real estate assessments appeals continue to reduce total taxable property values (successful commercial office space appeals and demolitions for yet-to-be completed redevelopment projects).
- Real estate transfer tax revenue likely to fall short of Budget without notable sales volume increase or large commercial transaction(s).



General Fund – Real Estate Assessments

- Total taxable assessed value peaked at start of 2024.
- Since then, a combination of commercial office building assessment appeals and assessed reductions due to demolitions for new developments have reduced total assessed values by 1.25% through June 2025.
- Annual tax assessment appeals and property changes will continue to have a financial impact and limit assessment growth potential in the near-term.





General Fund Revenue Trends

- 2025 General Fund revenue forecast is within \$100k or 0.1% of Budget.

	2025 Adopted Budget	2025 Forecast (July 2025)	\$ Variance	% Variance
General Fund Revenue				
Business & Mercantile Tax	\$ 16,500,000	\$ 17,500,000	\$ 1,000,000	6.1%
Investment Income	1,380,000	1,700,000	320,000	23.2%
Other Licenses & Permits	6,106,000	6,458,000	352,000	5.8%
<i>All Other Revenues (Net)</i>	<i>9,805,800</i>	<i>9,807,240</i>	<i>1,440</i>	<i>0.0%</i>
Recreation Programs	975,000	860,000	(115,000)	-11.8%
Pool Fees	660,000	465,000	(195,000)	-29.5%
Police Services	1,450,000	1,250,000	(200,000)	-13.8%
PHMIC Refund	529,000	306,000	(223,000)	-42.2%
Real Estate Taxes (Current/Interim)	33,715,000	33,404,000	(311,000)	-0.9%
Real Estate Transfer Taxes	5,135,000	4,600,000	(535,000)	-10.4%
General Fund Revenue Total	\$ 76,255,800	\$ 76,350,240	\$ 94,440	0.1%



General Fund Revenue Trends

- 2025 General Fund revenue forecast is \$3.8 million (5.2%) greater than 2024 Actual increased business tax, real estate tax, and ARP interest transferred to the General Fund.

	2024 Actual	2025 Forecast (July 2025)	\$ Variance	% Variance
General Fund Revenue				
Business & Mercantile Tax	\$ 15,192,035	\$ 17,500,000	\$ 2,307,965	15.2%
Real Estate Taxes (Current/Interim)	31,696,953	33,404,000	1,707,047	5.4%
Other Licenses & Permits	6,272,400	6,458,000	185,600	3.0%
Zoning and Subdivision	464,546	600,000	135,454	29.2%
<i>All Other Revenues (Net)</i>	8,963,887	9,057,240	93,353	1.0%
Recreation Programs	970,866	860,000	(110,866)	-11.4%
Real Estate Transfer Taxes	4,720,242	4,600,000	(120,242)	-2.5%
Pool Fees	638,499	465,000	(173,499)	-27.2%
Investment Income	2,295,002	1,700,000	(595,002)	-25.9%
PHMIC Refund	1,347,430	306,000	(1,041,430)	-77.3%
Subtotal	\$ 72,561,860	\$ 74,950,240	\$ 2,388,380	3.3%
Budgeted One-Time ARP Interest Capital Refund	-	1,400,000	1,400,000	
General Fund Revenue Total	\$ 72,561,860	\$ 76,350,240	\$ 3,788,380	5.2%



General Fund Expenditure Trends





General Fund Expenditure Trends

- Personnel costs (wages and employee benefits):
 - Staff turnover and resulting vacancies combined with the time it takes to fill positions has reduced expenses.
 - Open positions are being filled as quickly as possible.
 - Vacancy savings expected to be greater than anticipated in 2025 Budget by several hundred thousand dollars.
- Street light LED conversion project showing utilities savings. Extent of impact was not fully known during 2025 Budget development.
- Most supplies and services categories are trending in line with budget.
- Other Compensation: Overtime anticipated to eclipse Budget due to winter storm maintenance, June storm response, and shift coverage due to Police vacancies.
- Refund of Prior Year Receipts: Assessment appeal stipulations requiring refund of 2024 real estate taxes paid.
- Debt Service increase versus Budget due to interest on 2025 Bond issuance and lack of refunding opportunities.



General Fund Expenditure Trends

- 2025 General Fund expenditure forecast is \$900k or 1.1% lower than the Adopted Budget.

	2025 Adopted Budget	2025 Forecast (July 2025)	\$ Variance	% Variance
General Fund Expenditures				
Salaries	\$ 37,072,864	\$ 34,020,786	\$ (3,052,078)	-8.2%
Utilities	1,462,029	1,148,804	(313,225)	-21.4%
Professional Technical Services	2,762,767	2,512,942	(249,825)	-9.0%
Employee Benefits	12,525,831	12,372,124	(153,707)	-1.2%
All Other Expenditures (Net)	14,839,571	14,763,762	(75,809)	-0.5%
Rentals	385,985	431,738	45,753	11.9%
Machinery & Equipment	614,275	663,141	48,866	8.0%
Other Compensation	4,130,626	4,235,540	104,914	2.5%
Refund of Prior Year Receipts	7,500	120,000	112,500	1500.0%
Debt Service	8,872,901	9,113,239	240,338	2.7%
Subtotal	82,674,349	79,382,076	(3,292,273)	-4.0%
Budgetary Savings anticipated	(2,385,000)			
Total Expenditures	80,289,349	79,382,076	(907,273)	-1.1%



General Fund Expenditure Trends

- 2025 General Fund expenditure forecast is currently nearly \$3.6 million or 4.8% higher than 2024 Actual (excluding CPF Transfer).

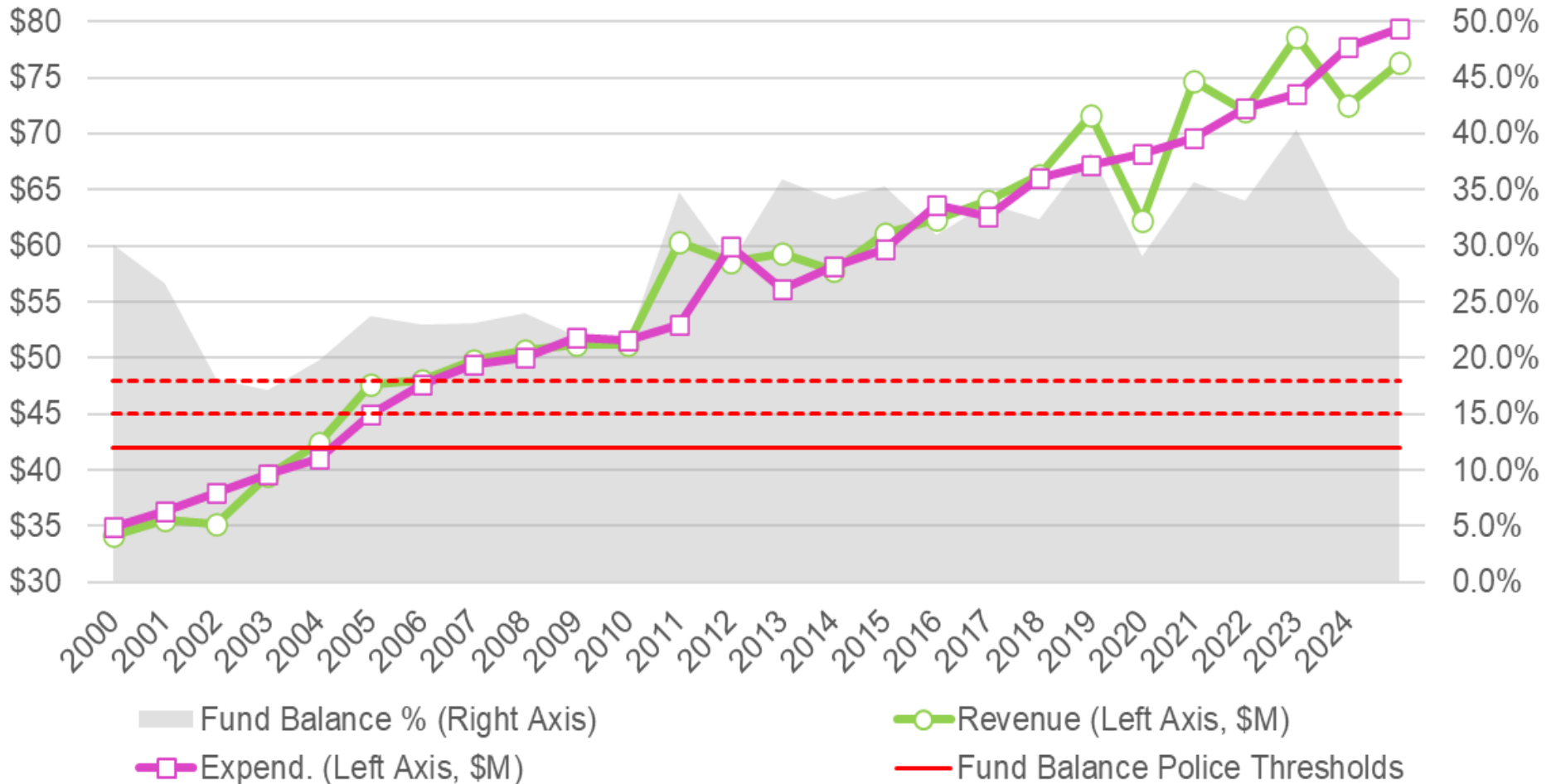
General Fund Expenditures	2024 Actual	2025 Forecast (July 2025)	\$ Variance	% Variance
Debt Service	\$ 9,498,497	\$ 9,113,239	\$ (385,258)	-4.1%
All Other Expenditures (Net)	11,983,211	12,776,389	793,178	6.6%
Contributions	2,631,103	2,772,950	141,847	5.4%
Rentals	284,768	431,738	146,970	51.6%
Equipment Software Furniture	1,388,281	1,604,035	215,754	15.5%
Machinery & Equipment	389,111	663,141	274,030	70.4%
Contracted Services	1,677,431	1,985,496	308,065	18.4%
Township Equipment Rental	3,262,935	3,642,178	379,243	11.6%
Employee Benefits	11,923,250	12,372,124	448,874	3.8%
Salaries	32,724,129	34,020,786	1,296,658	4.0%
Subtotal	75,762,717	79,382,076	3,619,359	4.8%
Transfer to Capital Projects Fund	2,000,000			
Total Expenditures	77,762,717	79,382,076	1,619,359	2.1%



General Fund Trendline

- Financial forecast anticipates ending fund balance level of \$21.5 million (27.0%).

General Fund Revenue vs Expenditures & Fund Balance





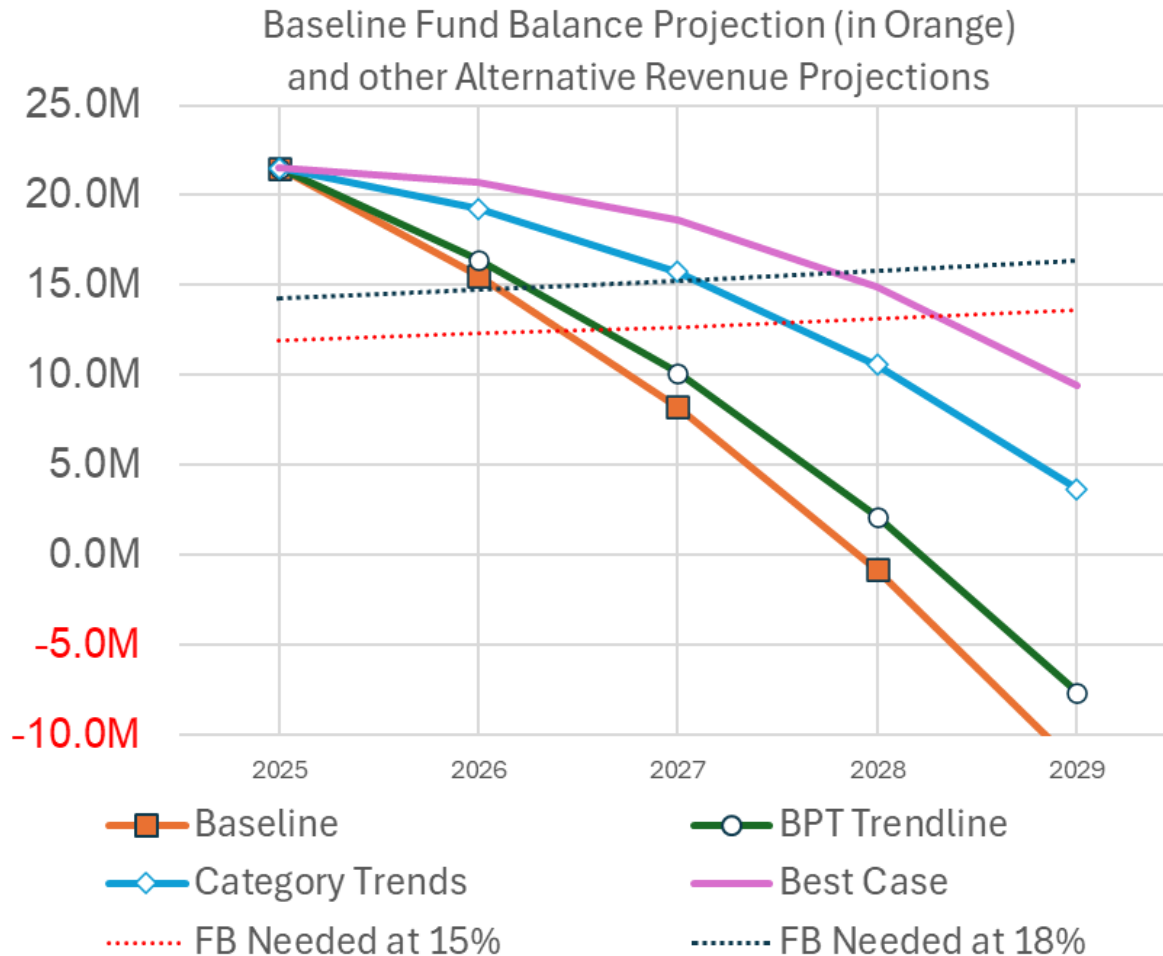
General Fund Financial Forecast

	General Fund (Million \$)	2025 Estimate	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast
a	Beginning Fund Balance	\$ 24.5	\$ 21.5	\$ 15.5	\$ 8.2	\$ (0.9)
b	Revenues & Transfers In	76.4	76.1	77.3	78.6	79.9
c	Expenses & Transfers Out	79.4	82.1	84.6	87.6	90.8
d = b-c	Surplus/(Deficit)	(3.0)	(6.0)	(7.3)	(9.1)	(10.9)
e = a+d	Ending Fund Balance	\$ 21.5	\$ 15.5	\$ 8.2	\$ (0.9)	\$ (11.8)
e÷c	Ending Fund Balance as % of Expense	27.1%	18.9%	9.7%	-1.0%	-13.0%
f1 = c*18% = f1-e	Ending FB Requirement @ 18% <i>Additional Funds needed</i>	\$ 14.3	\$ 14.8	\$ 15.2	\$ 15.8	\$ 16.4
f2 = c*15% = f2-e	Ending FB Requirement @ 15% <i>Additional Funds needed</i>	\$ 11.9	\$ 12.3	\$ 12.7	\$ 13.1	\$ 13.6
				\$ 4.5	\$ 14.0	\$ 25.4

- Assumes no real estate tax increase through 2029. Conservative growth rate assumptions in other revenue streams.
- Annual expense growth assumptions: 4% growth in salary costs; 5% in benefits; 3% in supplies and services. No new debt issuance until late 2026/early 2027.



General Fund Financial Forecast – Alternative Revenue Scenarios



Example of alternative revenue scenarios due to recent business tax volatility:

- **Baseline:** same as prior slide.
- **BPT Trendline:** Current business tax trendline.
- **Category Trends:** Application of recent budget-to-actual performance by revenue category.
- **Best Case:** Beating total revenue budget by 6.8% annually (2015-2024 average).



Preliminary Solid Waste Fund Trends & Forecast





Solid Waste Fund Trends

- Solid Waste Fund (SWF) started year in worse financial position than anticipated in budget (\$580k Fund Balance Actual versus \$733k anticipated).
- 2025 SWF Budget included the use of approx. \$400k of Fund Balance.
- Preliminary projections anticipate only marginal positive variance compared to budget (~\$380k deficit).
- Recent paper recycling contract bid will lead to loss of revenue in 2026 (absent significant commodity price increases) of approximately \$100k.
- Expenses anticipated to climb by approximately 5% in 2026.
- Early projections anticipate a 2025 ending Fund Balance of only \$200k (2.1%) and a projected \$1M deficit in 2026 absent rate increase or other policy action.



Solid Waste Fund Trends

Solid Waste Fund	Actual 2023	Actual 2024	Estimate 2025	Projected 2026
Beginning Fund Balance	\$ 1.18	\$ 0.47	\$ 0.58	\$ 0.20
Revenues	\$ 8.11	\$ 8.76	\$ 9.10	\$ 8.91
Expenses	\$ 8.81	\$ 8.65	\$ 9.48	\$ 9.98
Surplus/(Deficit)	\$ (0.71)	\$ 0.11	\$ (0.38)	\$ (1.07)
Ending Fund Balance	\$ 0.47	\$ 0.58	\$ 0.20	\$ (0.87)
Fund Balance % of Expenses	5.4%	6.7%	2.1%	-8.7%



2026 Budget Calendar





2026 Budget Calendar

- Budget Workshop scheduled for September 3th
- Distribution of Proposed 2026 Budget and 2026-2031 Capital Improvement Program scheduled for Friday, November 7th
- November 12th Finance Committee Meeting presentation on the Proposed Budget
- Public Hearings on Proposed Budget
 - November 19th
 - December 3rd
- Adoption of 2026 Budget and 2026-2031 Capital Improvement Program: December 17th (BOC regular meeting)
- Questions/comments from the Board of Commissioners