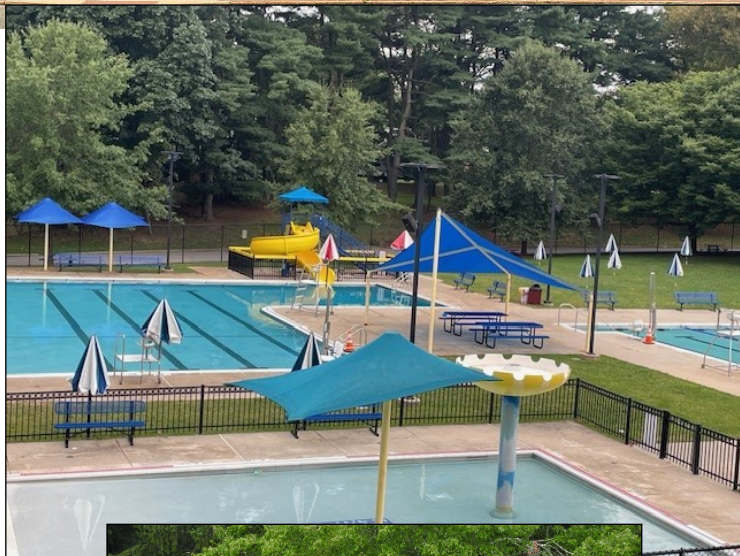


Township of Lower Merion Proposed 2026 Budget & 2026-2031 Capital Improvement Program



Finance Committee
November 12, 2025





Overview of Presentation

- I. 2025 Financial Performance**
- II. Proposed 2026 Budget Overview**
- III. Proposed 2026-2031 Capital Improvement Program (CIP) Overview**
- IV. Updated General Fund Financial Forecast**
- V. Next Steps**



2025 Financial Performance





General Fund Financial Performance

| General Fund (Million \$) | 2024 Actual | 2025 Budget | 2025 Estimate | \$ Variance vs. Budget | % Variance vs. Budget |
|--|-------------|-------------|---------------|------------------------|-----------------------|
| Beginning Fund Balance (Undesignated) | \$ 29.6 | \$ 22.3 | \$ 24.4 | | |
| Revenues & Transfers In | 72.6 | 76.3 | 77.2 | \$ 1.0 | 1.3% |
| Expenses & Transfers Out | 77.8 | 80.3 | 79.1 | \$ (1.2) | -1.5% |
| Surplus/(Deficit) | \$ (5.2) | \$ (4.0) | \$ (1.9) | \$ 2.2 | |
| Ending Fund Balance (Undesignated) | \$ 24.4 | \$ 18.3 | \$ 22.5 | | |
| Ending FB as a % of Operating Expenditures | 31.3% | 22.8% | 28.5% | | |

- Revenues higher than budgeted by \$1.0 M due mainly to business tax receipts, investment income, and licenses/permit revenue.
- Expenditures lower than budgeted by \$1.2 M primarily due to staff vacancies.
- Township is projected to end 2025 with an ending fund balance of \$22.5 M or 28.5% of current year expenses.



2025 General Fund Revenue Trends

- 2025 GF Revenue Estimated Actual is \$4.7 M or 6.4% higher than the 2024 Actual
- 2025 GF Revenue Estimated Actual is \$965k or 1.3% higher compared to 2025 Budget

| General Fund Revenue | 2024 Actual | 2025 Adopted Budget | 2025 Estimated Actual | \$ Variance | % Variance |
|--|----------------------|----------------------|-----------------------|-------------------|-------------|
| Business and Mercantile Taxes | \$ 15,192,035 | \$ 16,500,000 | \$ 18,100,000 | \$ 1,600,000 | 9.7% |
| Investment Income | 2,295,002 | 1,380,000 | 1,850,000 | 470,000 | 34.1% |
| Licenses & Permits | 6,910,899 | 6,766,000 | 6,917,000 | 151,000 | 2.2% |
| <i>All Other Revenues (Net)</i> | <i>7,530,075</i> | <i>9,145,800</i> | <i>9,278,800</i> | <i>133,000</i> | <i>1.5%</i> |
| Recreational Programming | 970,866 | 975,000 | 880,000 | (95,000) | -9.7% |
| Police Services | 1,259,857 | 1,450,000 | 1,290,000 | (160,000) | -11.0% |
| Pool Fees | 638,499 | 660,000 | 465,000 | (195,000) | -29.5% |
| PMHIC Refund | 1,347,430 | 529,000 | 306,000 | (223,000) | -42.2% |
| Real Estate Taxes- Current Year & Interim | 31,696,953 | 33,715,000 | 33,364,000 | (351,000) | -1.0% |
| Realty Transfer Taxes | 4,720,242 | 5,135,000 | 4,770,000 | (365,000) | -7.1% |
| Total Revenue | \$ 72,561,858 | \$ 76,255,800 | \$ 77,220,800 | \$ 965,000 | 1.3% |



General Fund Revenue – Assessed Value Trends

- 2026 Assessed Value is projected at \$7.640 billion, a \$89.6 million (1.16%) decrease from the 2025 Assessed Value of \$7.729 billion.
- Decreased assessment equates to \$400,000 of lost revenue potential at 2025 millage rate of 4.462 mills.

| Year | Assessed Valuation (\$B) | % Inc | Estimated Market Value (\$B) |
|------|--------------------------|--------|------------------------------|
| 2017 | 7.568 | 0.47% | 13.989 |
| 2018 | 7.614 | 0.61% | 14.959 |
| 2019 | 7.645 | 0.41% | 15.507 |
| 2020 | 7.663 | 0.24% | 16.339 |
| 2021 | 7.681 | 0.24% | 17.223 |
| 2022 | 7.746 | 0.83% | 19.609 |
| 2023 | 7.780 | 0.44% | 21.915 |
| 2024 | 7.783 | 0.04% | 23.656 |
| 2025 | 7.729 | -0.69% | 25.127 |
| 2026 | 7.640 | -1.16% | 24.836 |



General Fund Revenue – Recent Assessed Changes by Land Use

- While 2024 witnessed demolitions nearly matching stipulations/appeals, 2025 reduction driven by office space, single family and apartment appeals.

| 2024 Assessment Changes by Land Use | | | | |
|-------------------------------------|-------------------------------|---------------------|---|---------------------|
| Land Use | Court Stipulation / Appeal | Demolition | All Other Assessment Change Reasons | Total |
| Shopping Center | (5,320,000) | (10,609,660) | 0 | (15,929,660) |
| Com Vac Land 5.00- 9.99 Acres | 0 | (12,671,300) | 0 | (12,671,300) |
| Single Family | (13,561,310) | (370,960) | 7,266,235 | (6,666,035) |
| Office: Condo | (5,106,500) | 0 | 0 | (5,106,500) |
| Condominium Mid Rise 4-6 Stories | (4,086,220) | 0 | (23,030) | (4,109,250) |
| All Other Land Uses | (957,790) | (3,043,890) | 344,970 | (3,656,710) |
| Total | (29,031,820) | (26,695,810) | 7,588,175 | (48,139,455) |

| 2025 Assessment Changes by Land Use | | | | |
|-------------------------------------|-----------------------------|--------------------|---|---------------------|
| Land Use | Court Stipulation/Appeal | Demolition | All Other Assessment Change Reasons | Grand Total |
| Office: Mul Story 50k-100k S.F. | (27,778,670) | 0 | 0 | (27,778,670) |
| Single Family | (14,712,430) | (1,583,880) | (12,850) | (16,309,160) |
| Commercial Condo | (12,390,475) | 0 | 0 | (12,390,475) |
| Office: Mul Story 100k+ S.F. | (10,959,430) | 0 | 0 | (10,959,430) |
| High Rise > 4-Story, > 100 Unit | (3,699,430) | 0 | 0 | (3,699,430) |
| All Other Land Uses | (8,633,240) | (155,240) | 9,494,220 | 705,740 |
| Total | (78,173,675) | (1,739,120) | 9,481,370 | (70,431,425) |



2025 General Fund Expenditure Trends

- General Fund 2025 expenditures are estimated at \$1.2 M or 1.5% lower than the 2025 Budget due to higher-than-anticipated staffing vacancies.
- 2025 Expenditures are \$3.3 M or 4.3% higher than 2024 Actuals when excluding the one-time 2024 transfer to Capital Projects Fund.

| | 2024 Actual | 2025 Adopted Budget | 2025 Estimated Actual | \$ Variance | % Variance |
|--|---------------|---------------------|-----------------------|----------------|------------|
| General Fund Expenditures | | | | | |
| <i>Salaries</i> | \$ 32,724,129 | \$ 37,072,864 | \$ 33,775,421 | \$ (3,297,443) | -8.9% |
| <i>Employee Benefits</i> | 11,928,398 | 12,525,831 | 12,151,127 | (374,704) | -3.0% |
| <i>Vacancy Savings Anticipated</i> | - | (2,385,000) | - | 2,385,000 | -100.0% |
| Net Salaries & Benefits | 44,652,527 | 47,213,695 | 45,926,548 | (1,287,147) | -2.7% |
| Utilities | 1,089,805 | 1,462,029 | 1,179,595 | (282,434) | -19.3% |
| Professional & Technical Services | 2,469,518 | 2,762,767 | 2,491,462 | (271,305) | -9.8% |
| All Other Expenditures (Net) | 12,872,567 | 14,710,001 | 14,623,926 | (86,075) | -0.6% |
| Materials & Operating Supplies | 982,505 | 1,129,830 | 1,189,162 | 59,332 | 5.3% |
| Refund of Prior Year Taxes | 98,968 | 7,500 | 200,000 | 192,500 | 2566.7% |
| Other Compensation | 4,098,330 | 4,130,626 | 4,359,680 | 229,054 | 5.5% |
| Debt Service | 9,498,497 | 8,872,901 | 9,113,239 | 240,338 | 2.7% |
| Expenditure Subtotal | 75,762,717 | 80,289,349 | 79,083,612 | (1,205,737) | -1.5% |
| Transfer to Capital Projects Fund | 2,000,000 | | | | |
| Total Expenditures | 77,762,717 | 80,289,349 | 79,083,612 | (1,205,737) | -1.5% |



Proposed 2026 Budget Overview





Proposed 2026 Budget Trends - Revenues

- Decline in total assessment means **Real Estate Taxes** lost \$400,000 of revenue capacity for at current millage rate. A tax increase of approx. ~1.25% necessary to keep revenue-neutral.
- **Business Taxes** budgeted to match 2025 estimate based on anticipated payments from largest township accounts, trends and conservative estimates for audit returns, penalties and interest.
 - YTD 2025 business tax audit, P&I collected: \$1.7 M
- **Realty Transfer Taxes** anticipated to see marginal gains (+30-40) in sales volume based on market mortgage rate projections.
- **Increased parking meter rates** (from \$0.50/hr to \$1.00/hr and \$1.50/hr in select locations) currently under BOC consideration anticipated to raise approximately \$850k-\$900k in additional revenue.
- Reduced **healthcare claims refunds** and **interest income** driving drop in other revenues.



Proposed 2026 Budget Trends - Expenditures

- **Health Care:** After years of far below-average health care premium growth, Township will experience a 19.9% premium increase in 2026
 - Roughly 10% due to general healthcare inflation passed onto the PMHIC consortium, another near-10% Township claims utilization versus expected due in part to specialty pharmaceutical trends.
- **Vacancies:** Township expects vacancy rate to fall in 2026 due to positive police recruitment trends.
 - Current vacancy rate Township-wide around 7.5% - 8.0%
 - Expected vacancy rate in 2025: 6.0% - 6.25%
 - Every 1% reduction in vacancies reduces savings by over \$500k
- **Financial Performance of Solid Waste Fund and Equipment Fund** require future General Fund support in the form of likely subsidizing the former and a return to fully funding General Fund replacement charges to the latter.



Proposed 2026 Budget

| General Fund (Million \$) | 2025 Budget | 2026 Budget | \$ Change 2026 vs 2025 | % Change 2026 vs 2025 |
|---|-------------|-------------|------------------------|-----------------------|
| Beginning Fund Balance | \$ 22.3 | \$ 22.5 | | |
| Revenues & Transfers In | 76.3 | 79.3 | \$ 3.0 | 3.9% |
| Expenses & Transfers Out | 80.3 | 83.8 | \$ 3.5 | 4.4% |
| Surplus/(Deficit) | \$ (4.0) | \$ (4.6) | | |
| Ending Fund Balance | \$ 18.3 | \$ 17.9 | | |
| Ending FB as a % of Annual Operating Expenditures | 22.8% | 21.4% | | |

- Proposed 2026 Budget recommends a 9.5% Real Estate Tax increase and reflects the proposed parking meter rate increases from \$0.50/hr to \$1.00/hr and \$1.50/hr in select locations.
- Proposed RE Tax increase reduces deficit to a \$4.6 M budget gap to be filled by a drawdown on the GF fund balance down to \$17.9 M or 21.4% of expenses.
- Absent these two revenue recommendations, deficit would increase to approx. \$8.5 M, resulting in a year-end FB of \$14 M or 16.6% of expenses.



2026 Real Estate Taxes by Assessed Value

| Assessed Value | School * 35.267 mills | County* 5.642 mills | Township 4.886 mills | Total 45.817 mills |
|-----------------------|----------------------------------|--------------------------------|---------------------------------|-------------------------------|
| \$200,000 | \$7,053 | \$1,128 | \$977 | \$9,158 |
| Median (\$287,600) | \$10,143 | \$1,623 | \$1,405 | \$13,171 |
| \$300,000 | \$10,580 | \$1,693 | \$1,466 | \$13,739 |
| \$400,000 | \$14,107 | \$2,257 | \$1,954 | \$18,318 |
| \$500,000 | \$17,634 | \$2,821 | \$2,443 | \$22,898 |
| \$600,000 | \$21,160 | \$3,385 | \$2,932 | \$27,477 |

*School millage based on 2025-2026 tax year. County millage based on 2025 tax year; County proposed 2026 millage not available at time of publication.

- A resident with a single family detached home valued at Township median assessment would pay \$1,405 in Township real estate taxes in 2026 or approximately \$117 per month for Township services.
- The same resident would pay \$1,623 to Montgomery County and \$10,143 to the Lower Merion School District.



2026 Proposed Real Estate Taxes

- A 9.5% tax increase would raise an additional \$3.2 M in revenue compared to the 2025 tax rate at current assessment estimates.
- The median single family detached home assessed (valued at \$287,600) would pay an additional \$122 in Township real estate taxes in 2026 compared to 2025.

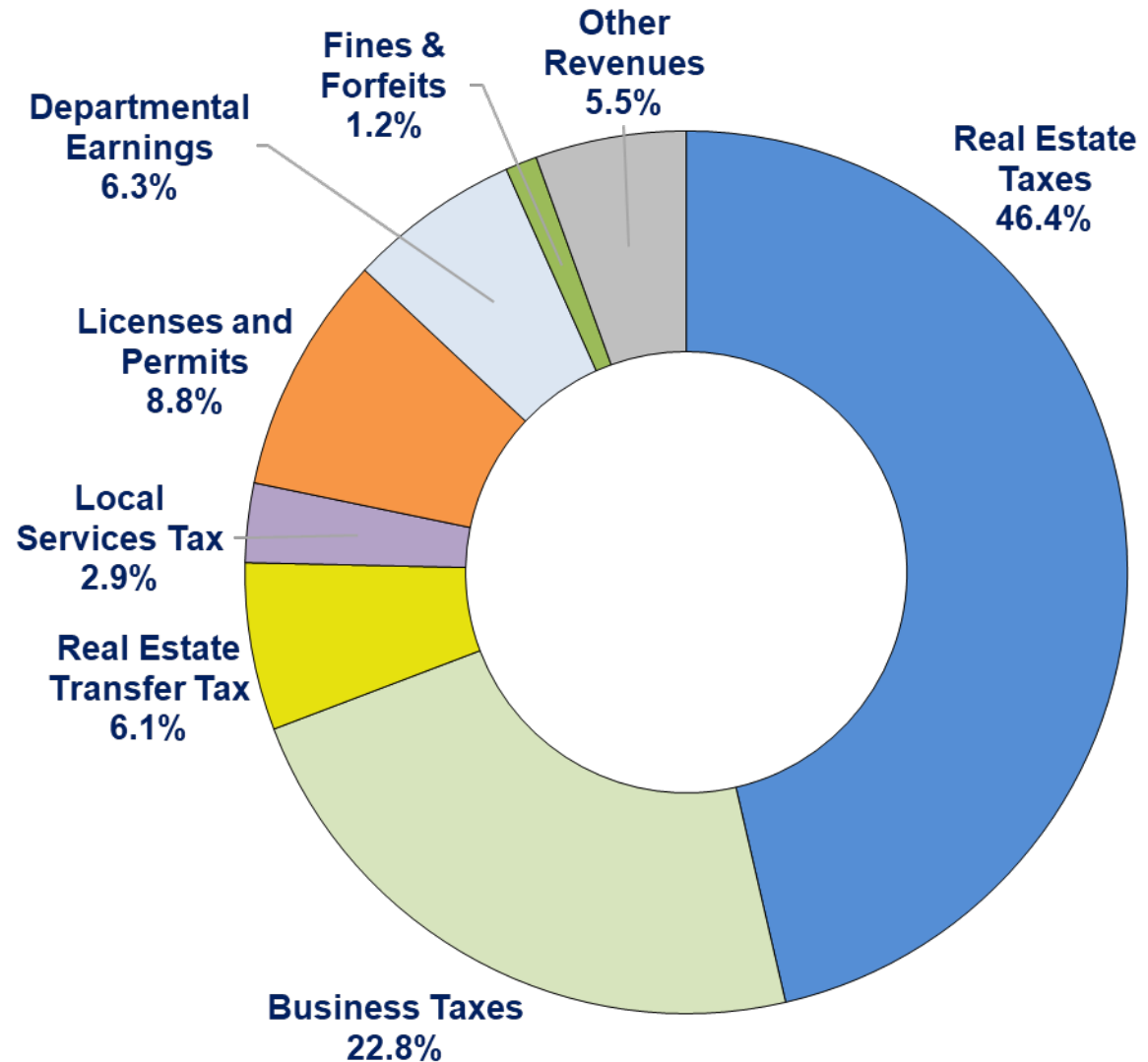
| Assessed Value | 2025 RE Tax 4.462 mills | 2026 RE Tax 4.886 mills | Increase |
|-----------------------|------------------------------------|------------------------------------|-----------------|
| \$200,000 | \$892 | \$977 | \$85 |
| Median (\$287,600) | \$1,283 | \$1,405 | \$122 |
| \$300,000 | \$1,339 | \$1,466 | \$127 |
| \$400,000 | \$1,785 | \$1,954 | \$169 |
| \$500,000 | \$2,231 | \$2,443 | \$212 |
| \$600,000 | \$2,677 | \$2,932 | \$255 |



2026 General Fund Revenues

\$79,265,000

- Real Estate Taxes \$36,765,000
- Business Taxes \$18,100,000
- Real Estate Transfer Tax \$4,860,000
- Local Services Tax \$2,300,000
- Licenses & Permits \$6,940,000
- Fines & Forfeits \$920,000
- Departmental Earnings \$5,000,000
- Other Revenue \$4,380,000





2026 General Fund Revenue

- 2026 GF Revenue Budget is \$79.3 million which is \$3.0 million or 3.9% higher than the 2025 Adopted Budget

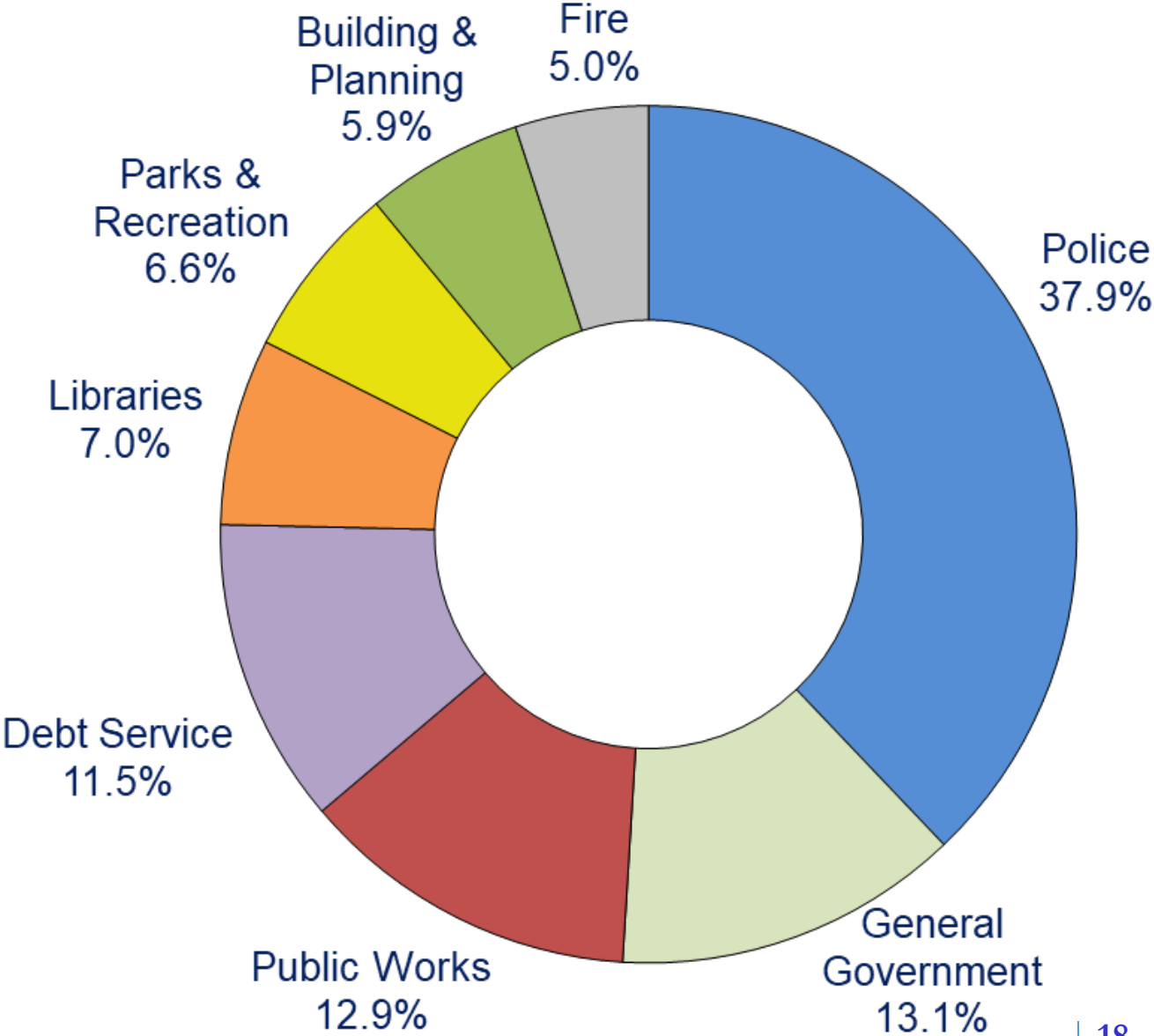
| General Fund Revenue | 2025 Adopted Budget | 2026 Proposed Budget | \$ Variance | % Variance |
|--|---------------------------|----------------------------|---------------------|---------------|
| Real Estate Taxes- Current Year & Interim | \$ 33,715,000 | \$ 36,390,000 | \$ 2,675,000 | 7.9% |
| Business and Mercantile Taxes | 16,500,000 | 18,100,000 | 1,600,000 | 9.7% |
| Parking (Meters & Permits) | 1,125,000 | 2,000,000 | 875,000 | 77.8% |
| Licenses & Permits | 6,766,000 | 6,940,000 | 174,000 | 2.6% |
| <i>All Other Revenues (Net)</i> | 7,405,800 | 7,475,000 | 69,200 | 0.9% |
| Investment Income | 1,380,000 | 1,300,000 | (80,000) | -5.8% |
| Highway Transfers | 850,000 | 750,000 | (100,000) | -11.8% |
| Police Services | 1,450,000 | 1,300,000 | (150,000) | -10.3% |
| Realty Transfer Taxes | 5,135,000 | 4,860,000 | (275,000) | -5.4% |
| PMHIC Refund | 529,000 | 150,000 | (379,000) | -71.6% |
| Non-Recurring Revenue - ARP Interest Transfer | 1,400,000 | - | (1,400,000) | -100.0% |
| Total Revenue | \$ 76,255,800 | \$ 79,265,000 | \$ 3,009,200 | 3.9% |



2026 General Fund Expenditures

\$83,823,811

- Police
\$31,759,159
- Public Works
\$10,773,304
- General Government
\$10,967,446
- Debt Service
\$9,672,703
- Libraries
\$5,903,286
- Parks & Recreation
\$5,544,951
- Building & Planning
\$4,981,639
- Fire
\$4,221,323





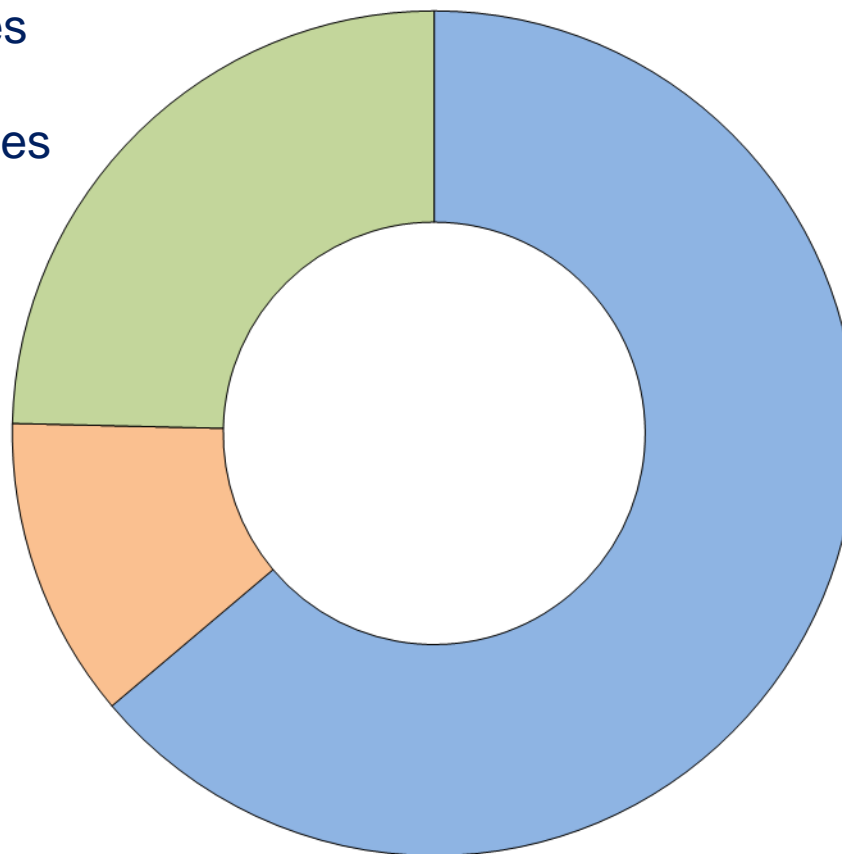
2026 General Fund Expenditures

\$83,823,811

All Other Expenses = 24.6%

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

Debt Service
11.5%



Personnel Costs –
Salaries, Other
Compensation &
Benefits
63.8%



2026 General Fund Expenditures

- 2026 General Fund Proposed Expenditure Budget is \$3.5 M or 4.4% more than the 2025 Adopted Budget

| General Fund Expenditures | 2025 Adopted Budget | 2026 Proposed Budget | \$ Change From 2025 Budget | % Change From 2025 Budget |
|--|----------------------|----------------------|----------------------------|---------------------------|
| Salaries | 37,072,864 | 38,448,506 | 1,375,642 | 3.7% |
| Employee Benefits* | 12,525,831 | 14,348,373 | 1,822,542 | 14.6% |
| Vacancy Savings Anticipated* | (2,385,000) | (3,280,000) | (895,000) | 37.5% |
| Net Salaries & Benefits | \$ 47,213,695 | \$ 49,516,879 | \$ 2,303,184 | 4.9% |
| Debt Service | 8,872,901 | 9,672,703 | 799,802 | 9.0% |
| Contracted Services | 2,017,349 | 2,433,307 | 415,958 | 20.6% |
| Communications Expenses | 1,239,349 | 1,432,956 | 193,607 | 15.6% |
| Software Maintenance Agreements | 1,613,109 | 1,713,912 | 100,803 | 6.2% |
| Township Equipment Rental | 3,642,178 | 3,714,332 | 72,154 | 2.0% |
| All Other Expenditures (Net) | 6,721,071 | 6,846,055 | 124,984 | 1.9% |
| Professional & Technical Services | 2,762,767 | 2,736,279 | (26,488) | -1.0% |
| Machinery & Equipment | 614,275 | 561,008 | (53,267) | -8.7% |
| Other Compensation | 4,130,626 | 3,992,327 | (138,299) | -3.3% |
| Utilities | 1,462,029 | 1,204,053 | (257,976) | -17.6% |
| Total General Fund Budget | \$ 80,289,349 | \$ 83,823,811 | \$ 3,534,462 | 4.4% |

*Budgeted vacancy rate is decreasing in 2026. The negative appropriation for savings increased because a new employee benefits budgeting method is used in 2026 to reflect full benefits costs before vacancies. Pre-2026 budgeted benefit numbers were netted against some assumed vacancy savings.



2026 General Fund Expenditures

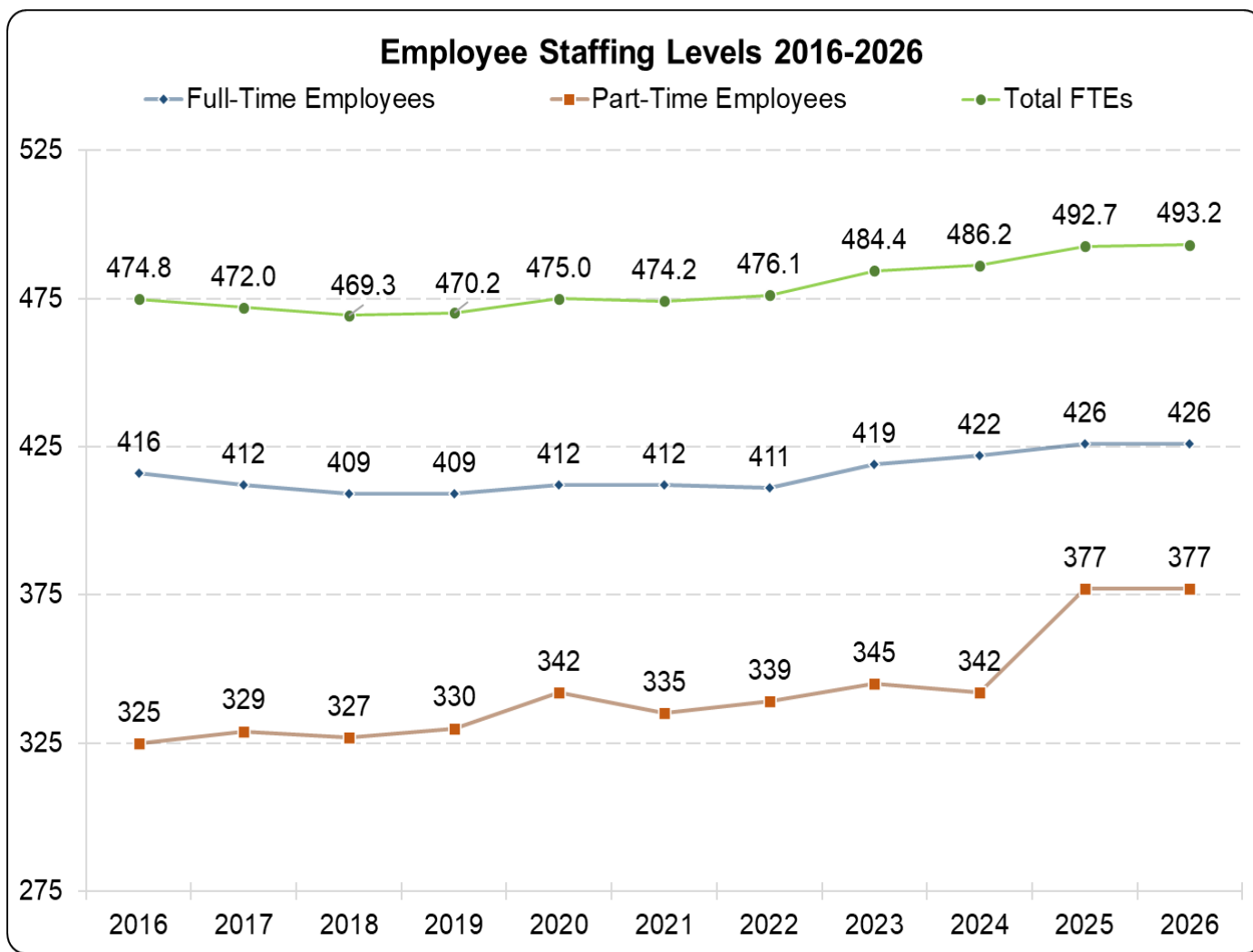
Trends driving the \$3.5M (4.4%) of additional expenditures vs 2025

- Salaries & Wages – 3.5% salary increases. No new FT positions proposed in General Fund Budget. Over 35% of existing FT employees are due a step increase at some point in 2026.
- Benefits and Vacancy Savings: Health Care Increases previously noted plus revision to employee benefits budgeting to fully reflect costs prior to vacancy savings.
- Debt Service: Costs associated with first full year 2025 Bond payments.
- Contracted Services – Driven by added operating costs associated with Police Dept records management system
- Communications – Increase mostly from reallocation of management public safety radio tower operating costs from the Equipment Fund to the General Fund (Police Department).



2026 General Fund Expenditures - Personnel

- No new full-time positions proposed for 2026.
- Same part-time position count as 2025; small departmental tweaks netting out to +0.5 FTE across organization.
- Budget includes wage increases of 3.5% per labor agreements with FOP and WA
- Board action needed for non-union staff





2026 General Fund Expenditures – Employee Benefits

- The Township's membership in the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) continues to provide the Township with a suitable health care arrangement despite 2026 premium increase of 19.9%.
 - Dental premiums have increased 6.0%; vision premiums were extended at their 2025 rates.
- Township will be required to make an estimated \$450,000 contribution to the Township's pension plans in 2026. Higher-than-anticipated state aid growth can generate budgetary savings from this figure.
- Other employee benefits are projected to increase with payroll costs (e.g., payroll taxes, anticipated workers comp claims).



2026 General Fund Expenditures - Debt

- Availability of American Rescue Plan (ARP) Act funds and transfers from General Fund reserves allowed the Township to forgo borrowing from March 2022 until Feb 2025.
- The Township issued \$24.1 M of bonds sold at a premium, raising \$25 M of proceeds for the Capital Projects Fund (\$20.5 M) and Sanitary Sewer Fund (\$4.5 M) projects.
- Total outstanding debt for the General Fund and Sanitary Sewer Fund will be \$93.4 million at the end of 2025.
- General Fund debt service will increase by \$799,000 or 9.0% compared to the 2025 Budget.
- Debt service is 11.5% of the 2026 GF Budget, near its lowest proportion of General Fund expenditures over the last decade.
- The Proposed Capital Budget is projected to require additional debt issuance in late 2026 or early 2027.



2026 General Fund Budget

- Proposed 2026 Budget is focused on continuing to provide high-quality services to Township residents. The following items, among others, warrant further discussion and direction from the Board:
 - Consideration of the proposed 9.5% real estate tax increase
 - and the transfer of \$0.9 M of unrestricted ARP interest earnings to the Solid Waste Fund.
 - 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 2025 levels and may be modified by the Board.
 - Direction on non-union wage increases.
 - Size and scope of the 2026 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 2026-2031 Capital Improvement Program (CIP) Overview





2026-2031 Capital Improvement Program (CIP)

- 2026 Proposed Capital Projects Budget includes **\$64.3 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. This Township funding is supplemented with Federal, State, County funds, recreation development fees, and Liquid Fuels funding.
 - The Township will need to consider debt issuance in late 2026 or early 2027 to fund Township CIP depending on the pace of current projects in the coming months.
 - Current CIP figures suggest \$20 M - \$25 M in new money borrowing.



2026-2031 Capital Improvement Program (CIP)

- Top 10 CIP Projects represent \$43.3 million (67%) of the total 2026 Capital Budget across all funding sources (Township, grants, etc.).

| CIP Projects (all funding sources) | CIP Job Number | 2026 Capital Budget |
|--|----------------|----------------------|
| 1. Affordable Housing | 4097 | \$ 13,200,000 |
| 2. Ardmore Avenue Community Center and Center for Positive Aging in Lower Merion | 4508 | 10,520,000 |
| 3. Fire Apparatus Replacement Fund | 4404 | 3,327,000 |
| 4. Fire Companies Facility Project | 4405 | 2,864,000 |
| 5. Stormwater Facilities Management Project | 4652 | 2,796,000 |
| 6. Playground Replacement Program | 4492 | 2,716,000 |
| 7. Sidewalk Installations | 4247 | 2,140,000 |
| 8. Traffic Network Evaluation - Township Wide | 4236 | 2,035,000 |
| 9. City Avenue Transportation Service Area Improvement | 4092 | 1,900,000 |
| 10. Bridge Maintenance Program | 4237 | 1,820,000 |
| Total Top 10 Capital Projects | | 43,318,000 |
| All other capital projects | | 20,951,000 |
| Total Capital Projects | | \$ 64,269,000 |



2026-2031 Capital Improvement Program (CIP)

- Township costs (e.g., after grants and other outside funding sources) total \$36.5 million. Top 10 CIP Projects by Township Cost constitute \$23.2 or 64% of the Township cost within the CIP.

| CIP Projects (Township costs only) | | CIP Job Number | 2026 Capital Budget |
|--------------------------------------|---|----------------|----------------------|
| 1. | Ardmore Avenue Community Center and Center for Positive Aging in Lower Merion | 4508 | \$ 7,520,000 |
| 2. | Playground Replacement Program | 4492 | 2,716,000 |
| 3. | Sidewalk Installations | 4247 | 2,140,000 |
| 4. | Fire Apparatus Replacement Fund | 4404 | 2,044,000 |
| 5. | Fire Companies Facility Project | 4405 | 1,906,000 |
| 6. | Stormwater Facilities Management Project | 4652 | 1,746,000 |
| 7. | Rotomilling and Road Reconstruction | 4210 | 1,500,000 |
| 8. | Road Stabilization | 4217 | 1,308,000 |
| 9. | Bridge Maintenance Program | 4237 | 1,250,000 |
| 10. | Traffic Network Evaluation - Township Wide | 4236 | 1,115,000 |
| Total Top 10 Capital Projects | | | 23,245,000 |
| All other capital projects | | | 13,294,000 |
| Total Capital Projects | | | \$ 36,539,000 |



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 2026 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

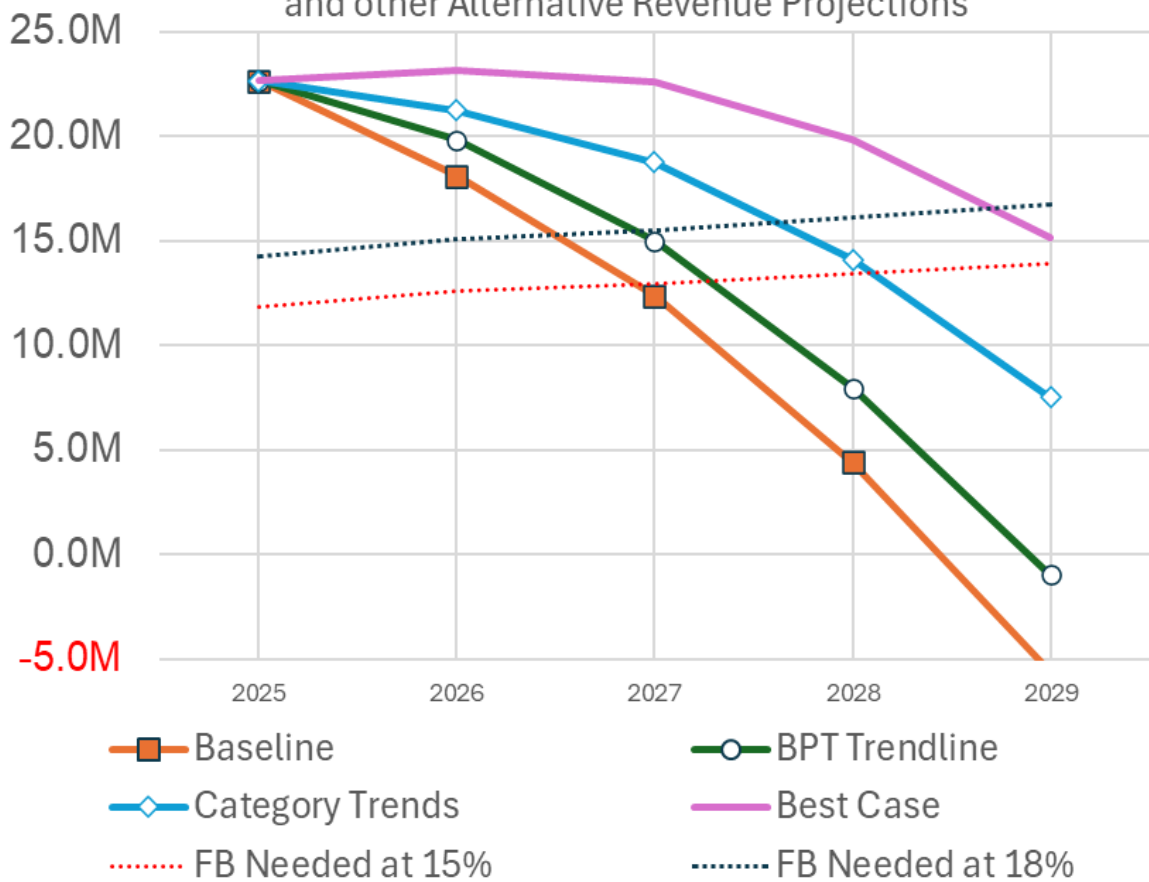
| | General Fund (Million \$) | 2025 Estimate | 2026 Budget | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|------------------------|---|------------------|----------------|------------------|------------------|------------------|
| a | Beginning Fund Balance | \$ 24.4 | \$ 22.5 | \$ 17.9 | \$ 12.2 | \$ 4.2 |
| b | Revenues & Transfers In | 77.2 | 79.3 | 80.4 | 81.6 | 82.9 |
| c | Expenses & Transfers Out | 79.1 | 83.8 | 86.1 | 89.6 | 92.9 |
| d = b-c | Surplus/(Deficit) | (1.9) | (4.6) | (5.7) | (8.0) | (10.0) |
| e = a+d | Ending Fund Balance | \$ 22.5 | \$ 17.9 | \$ 12.2 | \$ 4.2 | \$ (5.8) |
| e÷c | Ending Fund Balance as % of Expense | 28.4% | 21.4% | 14.2% | 4.7% | -6.2% |
| f1 = c*18% = f1-e | Ending FB Requirement @ 18% <i>Additional Funds needed</i> | \$ 14.2 | \$ 15.1 | \$ 15.5 | \$ 16.1 | \$ 16.7 |
| | | | | \$ 3.3 | \$ 11.9 | \$ 22.5 |
| f2 = c*15% = f2-e | Ending FB Requirement @ 15% <i>Additional Funds needed</i> | \$ 11.9 | \$ 12.6 | \$ 12.9 | \$ 13.4 | \$ 13.9 |
| | | | | \$ 0.7 | \$ 9.2 | \$ 19.7 |
| f3 = c*12% = f3 - e | Ending FB Requirement @ 12% <i>Additional Funds needed</i> | \$ 9.5 | \$ 10.1 | \$ 10.3 | \$ 10.7 | \$ 11.1 |
| | | | | | \$ 6.5 | \$ 16.9 |

- Assumes no real estate tax increase from 2027 through 2029. Conservative growth rate assumptions in other revenue streams.
- Annual expense growth assumptions: 4% growth in salary costs; 6% in benefits; gradual decline in staff vacancies; 2% in supplies and services. No new debt issuance until late 2026/early 2027.
- Baseline projections forecast breaching 15% in 2027 and 12% in 2028



General Fund Financial Forecast – Alternative Revenue Scenarios

Baseline Fund Balance Projection (in Orange) and other Alternative Revenue Projections



Example of alternative revenue scenarios due to recent revenue volatility:

- **Best Case:** Beating total revenue budget by 6.4% annually (2016-2025 average).
- **Category Trends:** Application of recent budget-to-actual performance by revenue category.
- **BPT Trendline:** Current business tax trendline. All other revenues held at baseline projection.
- **Baseline:** same as prior slide.



Updated General Fund Financial Forecast

- The Township's continues to outperform GF Budget, but drivers of substantial revenue overperformance witnessed earlier in the decade have subsided.
- Depth of 2026 deficit without a tax increase and the corresponding financial outlook for the 2027 budget cycle led to the 2026 tax increase recommendation.
- Projections suggest, even with positive budget performance, that continued policy discussion will be needed to narrow budgetary deficit in coming years.



Fund Balance Considerations

- 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.
 - Fund Balance reserve level 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 Considerations

- 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% |

- S&P has a lower municipal FB threshold, only requiring >15% for its highest FB score, subject to qualitative review.



Moody's Credit Rating Scorecard – March 2025

Exhibit 8

Lower Merion (Township of) PA

| | Measure | Weight | Score |
|--|---------|--------|------------|
| Economy | | | |
| Resident income ratio | 211.7% | 10.0% | Aaa |
| Full value per capita | 230,579 | 10.0% | Aaa |
| Economic growth metric | -1.1% | 10.0% | A |
| Financial Performance | | | |
| Available fund balance ratio | 36.6% | 20.0% | Aaa |
| Liquidity ratio | 82.1% | 10.0% | Aaa |
| Institutional Framework | | | |
| Institutional Framework | Aa | 10.0% | Aa |
| Leverage | | | |
| Long-term liabilities ratio | 207.5% | 20.0% | A |
| Fixed-costs ratio | 14.4% | 10.0% | Aa |
| Notching factors | | | |
| Additional Strength in Local Resources | 0.5 | | |
| Scorecard-Indicated Outcome | | | Aa1 |
| Assigned Rating | | | Aaa |

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Lower Merion (Township of) PA's financial statements and Moody's Ratings

- Note: Financial Performance section above based on Township's 2023 audited financial statements.



Next Steps





Next Steps

- 2026 Tax Levy and Appropriations Ordinance
 - Approves advertisement of the Proposed 2026 Budget and the Real Estate Tax Millage Rate (4.886 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 19th
- 2nd Public Hearing on Proposed Budget and CIP: December 3rd
 - Budget Amendments
- Adoption of 2026 Budget and 2026-2031 CIP: Dec 17th (part of BOC regular meeting)