

TOWNSHIP OF LOWER MERION

BUDGET WORKSHOP

**Wednesday, September 3, 2025
6:00 PM (Approximately)**

AGENDA

1. 2026 PROPOSED BUDGET OVERVIEW AND PRESENTATIONS

Staff will present information regarding the 2026 Proposed Budget requests.



AGENDA ITEM INFORMATION

ITEM: 2026 PROPOSED BUDGET OVERVIEW AND PRESENTATIONS

Staff will present information regarding the 2026 Proposed Budget requests.

ATTACHMENTS:

Description	Type
□ Budget Workshop Information	Backup Material

Township of Lower Merion

Budget Workshop Agenda September 3, 2025

Function	Issue/Department	Time		
Introduction	Executive Summary & Introduction	6:00 p.m.	-	6:15 p.m.
General Government	Finance & Debt Service	6:15 p.m.	-	6:25 p.m.
General Government	General Government Departments A. Information Technology B. BOC, Manager's Office, Public Information, Human Resources, Parking	6:25 p.m.	-	7:00 p.m.
Libraries & Recreation	Parks & Recreation	7:00 p.m.	-	7:25 p.m.
Libraries & Recreation	Libraries	7:25 p.m.	-	7:45 p.m.
Public Safety	Police	7:45 p.m.	-	8:10 p.m.
Public Safety	Fire	8:10 p.m.	-	8:30 p.m.
Building & Planning	Building & Planning	8:30 p.m.	-	8:50 p.m.
Public Works	Public Works Admin & Overview	8:50 p.m.	-	9:05 p.m.
Public Works	Refuse	9:05 p.m.	-	9:15 p.m.
Public Works	Highway	9:15 p.m.	-	9:25 p.m.
Public Works	All Other Public Works Divisions	9:25 p.m.	-	9:35 p.m.
Conclusion	Board Policy Direction - Next Steps	9:35 p.m.	-	9:55 p.m.

2026 BUDGET AND 2026 - 2031 CAPITAL IMPROVEMENT PLAN (CIP) CALENDAR

Event	Date	Topics
New CIP Requests	April 25, 2025	Departmental CIP Requests Due to Public Works Department
Budget Process Begins	June 4, 2025	Departmental Budget Instructions Distributed
CIP Workshop	June 25, 2025	Discuss CIP Projects for 2026-2031
Budget Requests, Budget Goals, and Performance Measures	July 11, 2025	Budget Requests, Budget Goals and Performance Measures Due to Finance Department
Budget Meetings by Staff	July 14, 2025-August 1, 2025	Review of Departmental Budget Requests
General Fund Financial Forecast Update	July 30, 2025	Presentation of Semi-Annual General Fund Financial Forecast and Preliminary 2026 Budget
Budget Requests from Non-Profit Organizations	August 1, 2025	Budget Requests Due from Non-Profit Organizations
Budget Requests from Volunteer Fire Companies	August 11, 2025	Budget Requests Due from Volunteer Fire Companies
Budget Workshop	September 3, 2025	Departmental Budget Presentations to BOC
Departmental Accomplishments	September 12, 2025	Departmental 2025 Accomplishments Due to Finance Department
Budget Meeting with Federation of Civic Associations	TBD	Discuss Township Budget

2026 BUDGET AND 2026 – 2031 CAPITAL IMPROVEMENT PLAN (CIP) CALENDAR

Event	Date	Topics
Distribution of 2026 - 2031 Proposed CIP	November 7, 2025	Distribution of 2026 - 2031 Proposed CIP to Board and Public
Distribution of 2026 Proposed Budget	November 7, 2025	Distribution of 2026 Proposed Budget to Board and Public
2026 Proposed Budget Presentation	November 12, 2025	Public Presentation of the 2026 Proposed Budget at Finance Committee Meeting
First Budget Public Hearing	November 19, 2025	Public Discussion of the 2026 Proposed Budget and CIP (2026 - 2031)
Second Budget Public Hearing	December 3, 2025	Public Discussion of the 2026 Proposed Budget and CIP (2026 - 2031)
Adoption of 2026 Budget and Approval of 2026 - 2031 CIP	December 17, 2025	Adoption of 2026 Budget and Approval of CIP (2026 - 2031)

TOWNSHIP OF LOWER MERION

Office of the Township Manager

MEMORANDUM

TO: President and Members of the Board of Commissioners

FROM: Ernie B. McNeely, Township Manager

SUBJECT: 2026 Budget Workshop - September 3, 2025

DATE: August 28, 2025

The Township's finances continue to remain strong due to a still healthy fund balance, but they face ongoing strain as expenses exceed revenues. While the Township budgeted for a \$4.0 million deficit or draw down of reserves in 2024, the actual deficit amounted to \$5.2 million inclusive of a \$2.0 million transfer to the Capital Projects Fund to finance year-end capital improvements spending.

When the Board of Commissioners adopted the 2025 Budget, projections in late 2024 indicated a deficit spend of over \$7 million in 2025 without some revenue increase. The Board of Commissioners chose to partially address the deficit projection with a 6.5% real estate tax increase, the first increase in 14 years, along with a one-time use of \$1.4 million in federal American Rescue Plan (ARP) fund interest earnings to reimburse a portion of the 2024 capital expenses financed by the General Fund. With these actions, the Township's 2025 Budget was adopted including a projected \$4 million deficit in 2025. If the Township ends 2025 with a deficit spend, it will mark the first time since 2009-2010 that deficits have occurred in two consecutive years.

The Township's General Fund ended 2023 with a fund balance of nearly \$30 million. This level of fund balance allowed the Board to confidently budget over \$4 million in reserves to balance the 2024 budget. While the 2023 General Fund story was that of record revenues, the 2024 General Fund experienced a \$5.2 million deficit which brought the Township's fund balance, or reserves, down to \$24.5 million. The 2025 Budget, as adopted, would bring reserves down to \$18.4 million or 22.9%, which is still above the target policy range of 15-18% but well below the level of fund balance held by typical triple-A municipal credits with either rating agency.

The July 2025 mid-year financial update provided to the Board of Commissioners showed a slightly better projection for 2025 year-end results than budgeted. The 2025 deficit spend is currently projected at \$3 million, which would leave a better than budgeted year-end fund balance of 27.1% or \$21.5 million. This year-end level of fund balance is still a projection, with the actual deficit spend dependent on how the rest of this year plays out with revenues and expenditures. Headwinds against an improved projection include the first real estate assessment reduction the Township has experienced since 2012, which resulted in the 6.5% real estate tax increase generating only a 5.4% increase in real estate revenue. Additionally, after 7 prior years of health insurance claims running between 75-95% of expected, 2024 health insurance claims surpassed 107% of expected and claims through June of this year exceeded 110% of expected. Higher than

expected claims means a significantly smaller Claims Fund refund in 2025 and 2026 from the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) program as well as a likely substantial premium rate increase in 2026.

With these factors in mind, the budget workshop begins the 2026 Budget process with the Board of Commissioners. The Budget Workshop is the first step in the budget process intended to provide the Board of Commissioners with an initial look at departmental budget requests and the opportunity to provide policy guidance to assist Township staff in preparing the Proposed 2026 Budget. As we discuss annually, the development of an annual budget is a team effort. The budget is the transformation of the goals and objectives for the community into a plan for the upcoming year. It is the Board of Commissioners that establishes the budgetary goals and objectives for the community, while the Township staff provides input to aid the Board in that process and then helps implement the budgetary plan for the Township.

The Township's budget process began in June when departments submitted proposed budgets to the Finance Department. A series of department meetings were held throughout July and August with the Finance Department and Township Manager's Office where each department and division budget was reviewed and refined.

The 2026 Budget numbers are still preliminary and will be further revised before the formal Proposed 2026 Budget submission in November. The Township does not yet have renewals for health insurance, liability insurance, workers compensation coverage, property insurance or cyber coverage. Equipment Fund rental rates for 2026 that are charged to various departments are still being developed. These represent substantial expense items for the annual budget that are yet to be determined.

The Board of Commissioners has been provided with a Preliminary 2026 Budget Workbook that includes departmental organizational charts, goals, salary pages and budget summaries. The departmental summaries include 2024 Actual, 2025 Budget, 2025 Estimated Actual and 2026 Requested Budget.

This year's Budget Workshop will follow a similar format as used last year. Presentations will be organized by functional area and will focus on 2026 objectives and any significant changes requested in the budget for the coming year. The presentations will also be designed to target policy questions and issues where Board direction is necessary to develop a Proposed 2026 Budget aligned with the Board's priorities. The Board has recently discussed its priorities and departments have been asked to reflect those where applicable in their budgets and presentations. Not every department will make a full presentation to the Board at the Budget Workshop since some departments have very limited changes to operations planned; however, the Board will retain the ability to ask questions of any department.

2026 Budget Policy Issues and Questions

The following are policy questions or issues that the Board is asked to consider most of which will be addressed in the scope of the departmental presentations. If the Board is not prepared to provide

policy direction to staff at the Budget Workshop and requires more time or information to provide policy guidance, we plan to discuss these topics again at future Finance Committee meetings.

Staffing Policy Direction

The labor environment has improved modestly from the difficulties faced over the last few years. Departments continue to work around position vacancies because of staff turnover and prolonged recruitment times. While many positions see more applicants, the time to fill positions in many cases remains long due to a lack of qualified applicants and the sheer number of vacancies that exist due to retirements and departures to the private sector. Staffing remains a challenge in the Police Department with that department short 18 officers from the authorized complement of 136 officers. Thanks to a recent pilot program authorized by the Board, the recent police civil service test had a record number of applicants (724) with 71 candidates entering the background phase of the test process so police hiring challenges should be eased.

To provide a sense of the turnover witnessed in the last five years: approximately one in every four full-time employees started working for the Township in 2020 or later. Since the first of this year the HR Department, besides hiring 148 summer seasonal employees and 6 probationary police officers has posted 60 vacant positions resulting in 41 full-time or year-round part-time new hires to date.

Each year as departments project their needs there are requests for new positions and/or position upgrades and there are two requests for 2026. Position request justifications and supporting documents are found immediately following this memo within your packet.

- a) Public Works Administration: The Director of Public Works has submitted a request for a new position to be titled Project Manager to assist with managing various construction projects the department has under its purview. The cost for this new position if granted is estimated at \$125,620 per year.
- b) Parks & Recreation: The Director of Parks & Recreation has submitted a request to upgrade two positions to Assistant Director status. Those positions are the Parks Supervisor and Recreation Supervisor positions with the intent to vest both positions with more management responsibilities for projects and programs. The cost to upgrade these positions if granted is estimated at \$25,080 per year.

Projects/Initiatives

- a. **Township Manager (Community Survey)** – Included in the Township Manager's Office budget is \$25,800 in funding to again conduct the National Community Survey. The resident survey document is provided by the National Research Center in partnership with Polco, it is conducted by communities across the nation, and this allows the results obtained to be benchmarked against other communities. The survey also allows for a series of custom questions and there has been Commissioner interest in police community relations and also in resident medical needs. The Township last conducted the National Community Survey in 2023.

- b. **Township Manager Sustainability (Tree Protection Review)** – Included in the Township Manager’s Office budget is an \$18,000 funding request to engage a consultant to review the Township Code and land development policies and make recommendations to applicable regulations that govern tree canopy impacts, changes, or reductions. An assessment of the Township’s code and policy regulations pertaining to tree canopy has not been conducted in several years and likely out of date. Conducting this review would allow the Township to assess and improve its current practices and regulations in order to strengthen and protect the community’s tree canopy.
- c. **Finance** – In 2026, the Finance Department will start the process of coordinating a search for a new Enterprise Resource Planning (ERP) software system. An ERP system refers to programs and applications used by an organization to manage and streamline their financial operations (including accounting, budgeting, procurement, payroll, and reporting) and provide a unified view of financial data across departments. The Township’s current ERP system has been in place since 2003. Unfortunately, the system has not kept pace with software advances and new features offered by contemporary and up-to-date ERP systems.

A transition to a new ERP system is intended to improve efficiency, gain better financial insights, and assist in making more informed fiscal decisions. Although the acquisition and implementation of the software is budgeted in the Capital Fund in 2027 and 2028 and not part of the General Operating Budget, this effort will impact every Township department starting in 2026 and worth mentioning in this budget message.

Pensions

The Township’s pension plans continue to hold actuarially strong positions based on the 1-1-2025 actuarial reports. The funding ratio in the Police Plan declined from 98.1% to 96.3 % and the funding ratio in the Non-Uniform Plan held steady at 108.6%. A \$509,031 Township contribution to the pension plans was budgeted in 2025 to satisfy the actuarially determined obligations (net of state aid). The final actual pension costs for the current year will be determined in October after the Township receives its pension state aid allocation.

Projected Township pension costs for 2026 will be calculated through the development of the Township’s Minimum Municipal Obligation (MMO) for both pension plans which will be submitted to the Board by the end of September. We expect the net Township obligation in 2026 to increase from the 2025 estimate of \$509,031 but the amount of growth is uncertain until state aid figures are released this September. Funding pensions for both the current year and next year will be discussed in further detail at an October Finance Committee meeting.

Volunteer Fire Company & Narberth Ambulance Funding

Since 2017, the Board of Commissioners has approved annual increases to the operating allocations of the six volunteer fire companies within a 2-3% range. The allocation in 2025 totals \$2,344,800 or \$390,800 to each of the six companies. The six fire companies have submitted 2026 budgets and were instructed to use a 3% increase in the Township contribution as a placeholder.

Each one percent increase to the fire companies operating allocation totals \$3,908 to one fire company or \$23,448 to the Township overall. The annual financial review of the fire companies is nearly complete, which will aid the Board in setting fire company allocations for 2026.

Narberth Ambulance was provided with \$55,000 by the Township in 2025 through the Fire Department budget. For 2026, Narberth Ambulance has requested a contribution of \$60,000 from the Township to support its ongoing operations, equipment and capital needs.

Non-Profit Budget Requests

There have been 16 requests submitted by non-profits for Township funding in 2026. This year's requests total \$204,332 compared to 14 non-profits funded at \$144,010 in 2025. The policy on General Fund Contribution to Outside Agencies, adopted in November 2014, set a maximum annual total of all contributions at \$120,000 (although the Board of Commissioners does have flexibility to adjust that amount as it did in the 2025 Budget). Additionally, this maximum policy limit was set when Narberth Ambulance was a part of this allocation. The Board of Commissioners will need to determine the recipient agencies and funding levels for next year. A list of the requests has been provided in your packet. The Finance Committee will schedule a meeting to review and discuss the 2026 requests to make a recommendation to the Board of Commissioners as part of the 2026 Proposed Budget.

Capital Budget Financing

The Township borrowed \$24.1 million for capital budget financing in early 2025. That financing was to partially fund the 2025-2026 CIP Budget. The 2025 CIP totaled a record-setting \$64.6 million in projects with \$38.38 million of that total expected to come from Township funds and the balance from federal ARP funding and other grants. As anticipated, the 2025 CIP was overly optimistic to project that this amount of CIP projects could be designed, bid, and constructed in 2025, so the 2026 CIP is also significantly inflated by projects that are reappropriated.

The annual CIP budgets have been inflated for several years due to the \$24.6 million in federal ARP funds allocated to ongoing capital projects. Those federal funds must be spent by 12-31-2026 and the Township is on track to easily meet that deadline.

The Township will likely need to enter the capital markets again in late 2026 or early 2027 to fund CIP projects. The ultimate size of that new money borrowing will depend on the adopted 2026 CIP budget and the rate of spending of the 2025 bond proceeds.

Township Property Tax Rate & Service Levels

The Township has been able to sustain, and in certain areas expand, Township services with only one 6.5% property tax increase in fourteen years. In the scope of the departmental presentations, you will be briefed on various budgetary changes and requests. The new or upgraded position requests outlined earlier are not yet included in the departmental budgets and would be an additional cost to their respective departmental budget totals. There are no proposed service reductions included in the draft departmental budgets.

Conclusion

While the Township is still operating from a position of financial strength, as stated earlier there are concerns about the ability of revenue to keep pace with the growth in personnel and other growing costs.

I hope the Budget Workshop continues to be helpful for the Board of Commissioners as we prepare a 2026 Budget. I know it may not be possible to provide policy guidance on every topic, and some may well need further discussion over the next several months. Not every issue will need to be resolved at the Budget Workshop, but whatever policy guidance the Board can provide will help Township staff deliver a Proposed Budget in November that better matches the Board of Commissioners' priorities for the Township.

TOWNSHIP FUNDING REQUESTS - 2026

2026 Township General Fund Contributions to Not-for Profit Organizations						
No.	Organization	2023 Actual	2024 Actual	2025 Actual	2026 Request	2026 Request Recommended vs. 2025 Actual
1	Neighbors Helping Neighbors	\$ 10,000	\$ 15,000	\$ 17,000	\$ 25,000	\$ 8,000
2	Eldernet	21,500	24,000	24,000	24,000	-
3	Positive Aging in Lower Merion (PALM)	18,000	20,000	22,000	28,000	6,000
4	Lower Merion Conservancy	15,000	20,000	20,000	20,000	-
5	Ardmore Initiative	10,000	10,000	11,500	21,332	9,832
6	New Horizons Senior Center	13,000	14,000	15,000	16,000	1,000
7	Bala Avenue of the Arts	-	10,000	10,000	12,500	2,500
8	Next Level Sports	8,000	8,000	8,010	15,000	6,990
9	Riverbend Environmental Center	5,000	5,000	5,000	5,000	-
10	Main Line Meals on Wheels	-	5,000	5,000	5,000	-
11	Lower Merion Community Watch	1,000	1,000	2,000	3,000	1,000
12	Montgomery County Emergency Services	1,500	1,500	1,500	1,500	-
13	Victim Services of Montgomery County	1,500	1,500	1,500	1,500	-
14	Visiting Nurses Association	1,000	1,500	1,500	1,500	-
15	Families CCAN	-	-	-	15,000	15,000
16	Ardmore Food Pantry	-	-	-	10,000	10,000
Grand Total		\$ 105,500	\$ 136,500	\$ 144,010	\$ 204,332	\$ - \$ 60,322

Contribution to Narberth Ambulance moved to the Fire Department Budget beginning in 2019.

Narberth Ambulance	\$ 52,000	\$ 55,000	\$ 65,000	\$ 60,000		\$ (5,000)
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