



**COUNTY OF BERKS, PENNSYLVANIA**  
**Office of Budget & Finance**

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## **Berks County 2024 Proposed Budget**

We are pleased to present the 2024 Budget for consideration and adoption by the Board of Commissioners. This budget is the product of a highly collaborative effort with the Commissioners and each county department. The Commissioners have provided direction and guidance as we have dealt with operational and fiscal issues that impact 2024, including navigating a tight labor market and related impacts on staffing and wages.

We believe this budget is responsive to the needs of the county taxpayers and the Commissioners' goal of a responsible budget that does not place an undue tax burden upon the citizens of Berks County. This budget specifically achieves the Commissioners' directive to present a budget that: supports our anticipated core service levels, maintains long term financial stability, limits the growth of new discretionary county services, limits new headcount to service level growth, funds one-time capital expenditures with reserves, does not add new debt, prioritizes capital expenditures for facility/bridge infrastructure, and utilizes technology that enhances process improvement and security.

This budget provides for the continued maintenance of our facilities and parks, maintains a commitment to agricultural land preservation, and funds our pension and debt service obligations. It funds our formal sponsorship obligations with Reading Area Community College (RACC) and local transportation (SCTA/BARTA). It also maintains our commitment to economic development, libraries, parks system, drug and alcohol treatment (COCA), and diversionary court programming that reduces the size of our jail population.

The budget includes \$7.8M for continued implementation of the IMAGINE Berks Strategic Plan, which was adopted in 2022. This will encourage commercial, industrial, and residential property development in strategic locations deemed to be most attractive for job creation and enhancement of property tax revenue.

Each year the Commissioners' objective is to balance our operating budget without a tax increase and achieve all the stated goals while remaining compliant with our reserve policy and Government Finance Officers Association (GFOA) best practices for its use. To do so, we need a budget that does not rely, year over year, on the use of reserves to fund recurring operating deficits. Our preliminary budget for 2024 has an operating deficit of (\$13.2M). This is an increase of (\$8.8M) over the adopted 2023 operating budget deficit of (\$4.4M). This increase in the deficit is primarily due to increases in wages and benefits (\$9.0M), prison expense including inmate health (\$2.8M), contingency (\$1.0M), other inflationary increases in expenditures (\$1.3M), and a decrease in Recorder of Deeds fees (\$0.9M). This is primarily offset by increases in property taxes, from assessed value growth of \$2.0M and

interest income of \$4.1M, from higher interest rates. Please note our operating deficit does not include the special revenue and proprietary fund for which there are dedicated funding streams, reserves, and net assets, and one-time general fund expenditure for capital.

We have reached the point in time, as we have on two prior occasions since 2005, where the growth in our operating expenses has exceeded the growth in our taxable assessed value, from which we derive our tax revenue. When this occurs, the need exists for more property tax revenue and unfortunately this is the situation in 2024. We are now facing growing operating deficits and our fiscal policy requires us to balance this to maintain financial integrity and quality of services. We have considered cuts to discretionary spending like parks, library, etc. and determined these programs are of most value to our citizens, who otherwise have very little interaction with our mandated services and court systems. Therefore, we require additional tax revenue to fund the Commissioners' goals and provide the quality of service our constituents expect and deserve. Since 2005, our approach has been to ask more of our taxpayers only when necessary. This is why we have not recommended a small cost of living adjustment (COLA) tax increase annually since 2018, the year of our last tax increase.

Consequently, for the first time in six years, we are recommending a tax millage rate increase from 7.657 to 8.345 mills, an increase of 8.99%. This represents an annual and weekly increase of \$68.84 and \$1.32, respectively, per \$100,000 of assessed value. This generates an additional \$13.2M in County property tax revenue. This averages out to 1.5% per year, 2019 actual through 2023 September actual, plus 2024 estimated at the same rate of 2023, and is substantially lower than the cumulative rate of inflation of 24.6%, as measured by the Bureau of Labor and Statistics Consumer Price Index (CPI-U). While we have managed to control growth in wages, benefits, and operating costs below cumulative CPI-U, our growth in real estate taxable assessed value has not kept pace with our expenditure growth. With this increase, the proposed 2024 net operating budget is balanced. This increase enables us to maintain our strong financial position that has been noted by our rating agency as a pillar of our Aaa-stable outlook bond rating.

The proposed budget surplus (deficit) for all funds (general, restricted, and enterprise fund types) is (\$46.9M). The deficit is primarily due to General Fund funded capital expenditures of (\$22.7M), carryover expenditures of awarded Covid community and infrastructure commitments, inclusive of IMAGINE Berks support of (\$31.6M), and an increase in personnel costs of (\$10.1M), offset by the increase in net tax revenue of \$15.0M and interest income of \$4.1M.

Consistent with our policy and GFOA best practices, we, once again, propose funding one-time capital expenditures with general fund reserves, and operating losses for specific special revenue and proprietary funds, with restricted reserves and net assets, respectively. Funding capital with reserves avoids the addition of new debt service that would increase our debt and fixed costs and require future tax increases.

The realization of the 2024 Budget will be positively or negatively affected by the outcome of the following factors: the financial performance of our pension assets, actual inflation rate, outcome of current collective bargaining (CBA) negotiations, actual health and worker compensation claims, renewal of federal and state funding for human service operations, continuation of the Federal/State IGT and Medicaid funding for Berks Heim nursing facility,

labor supply for nursing staff and related resident census, expansion of human service and criminal justice programs, growth or reduction in headcount, sunset or renewal of 911 funding by PA Legislature, and debt guarantees.

The Board of Commissioners are keenly aware of these risks and challenges and are supportive of the following initiatives, each with the potential to increase revenues or reduce operating costs:

- Continued funding and implementation of IMAGINE Berks Strategic Plan. For more information use the following link: [IMAGINE Berks Strategic Plan](#)
- Tax incentives, when necessary, to attract commercial and industrial facility investments to enhance real estate tax growth.
- Implementation of new technology and software solutions that enable process improvements and lower service costs.
- Jail diversion plans for first-time offenders, low risk offenders, and crimes resulting from mental health issues. This could reduce future facility costs.
- Limit head count growth to mandated services.
- Pursuit of grants to fund operating and capital costs.

### Budget Summary and Select Highlights

#### Real Estate Tax Comparison

Total 2024 tax revenue is \$166.3M, an increase over 2023 of \$15.0M. The increase is \$2.0M from organic growth in taxable assessed value, \$13.2M from the proposed tax rate increase, \$0.1M interim tax revenue increase, offset by a \$0.3M decline in tax claim revenue due to a better collection rate on current tax billings. Our tax base growth remains at a consistently high level as commercial and residential demand for developable property remains high exceeding 0.92% per year since 2020. This organic growth contributes to our ability to minimize the frequency and size of tax increases and an important reason why we can recommend a tax increase, after six years, that is less than 10%. The following table summarizes the tax revenue comparison to 2023.

<b>Real Estate Tax Revenue (in Millions)</b>		
	<b>2024</b>	<b>2023</b>
Millage Rate	8.345	7.657
Assessed Value -Billions	\$20.1	\$19.9
Percent Increase	0.93%	1.22%
Net Tax Billing	\$161.3	\$146.1
Interims	\$1.1	\$1.0
Net Tax Collections	\$162.4	\$147.1
Tax Claim Revenue	\$3.9	\$4.2
<b>Total Tax Revenue</b>	<b>\$166.3</b>	<b>\$151.3</b>

Note: 2023 Assessed Value is actual billed March 1, 2023. All other 2023 values are 2023 Adopted Budget

General Fund and All Funds Budget Comparison

**Revenue and Expenditures (In Millions)**

<b>General Fund:</b>	<b>2024</b>	<b>2023</b>	<b>Inc./Dec.)</b>	<b>% Change Inc./Dec.)</b>
Total Revenue	\$269.8	\$271.5	(\$1.7)	-0.62%
Total Expense	\$309.7	\$279.5	\$30.2	10.79%
Less Total Adjustments	\$14.4	\$14.0	\$0.4	
<b>Net Surplus/(Deficit)</b>	<b>(\$54.2)</b>	<b>(\$22.0)</b>	<b>(\$32.2)</b>	

  

<b>All Funds:</b>	<b>2024</b>	<b>2023</b>	<b>Inc./Dec.)</b>	<b>% Change Inc./Dec.)</b>
Total Revenue	\$606.0	\$646.6	(\$40.6)	-6.28%
Total Expense	\$651.8	\$666.5	(\$14.7)	-2.21%
Less Expense Adjustments	\$1.1	\$1.3	(\$0.2)	
<b>Net Surplus/(Deficit)</b>	<b>(\$46.9)</b>	<b>(\$21.2)</b>	<b>(\$25.7)</b>	

(Note: Adjustments in the General Fund are for Human Services' federal and state grant local match, and contribution to the 911 fund for debt and capital. Expense Adjustments in All Funds are for depreciation expense, net of capital expenditures, for our Enterprise Funds.)

Revenues

General Fund decrease of \$1.7M is primarily attributable to: removal of 2023 ARP lost revenue to County general government operation cost (\$29.6M) and Recorder of Deeds transfer fees (\$0.9M). Offset by increases in: tax revenue arising from increase in taxable assess value and tax rate increase \$15.2M, interest income \$4.1M, indirect cost reimbursement due to higher facility costs \$2.9M, ARP grant fund interest \$2.5M, IGT net asset transfer from the nursing home Berks Heim \$2.1M, FEMA/PEMA grant revenue \$0.6M, Election Integrity grant revenue \$0.6M, Prison medication assisted treatment reimbursement \$0.5M, Library State Aid \$0.2M, and Solid Waste tipping fees \$0.2M.

All Funds decrease of \$40.6M is primarily attributable to: General Fund (\$1.7M), Community Development and Affordable Housing removal of Emergency Rental Assistance grants (\$6.8M), Health Choices removal of supplemental funding (\$7.9M), Berks County Residential Center closure (\$7.4M), and removal of 2023 Cares Act/American Recovery Fund (\$26.6M). Offset by nursing home revenues as more fully described in the Berks Heim Section \$6.9M, new Aging AAA Public Works and Title III ARP grant funds \$0.3M, Liquid Fuels revenue including interest \$0.8M, COCA funding net increase inclusive of opioid settlement funding \$0.2M, Emergency 911 System interconnectivity and municipality funding \$0.4M, Domestic Relations administration reimbursement \$0.4M, and Employment & Training grant funding \$0.6M.

### Expenditures

General Fund increase of \$30.2M is primarily attributable to: capital \$5.3M, IGT contribution to PA DHS \$2.1M to enhance Medicaid funding for Berks Heim, community support and infrastructure investments to continue the recovery from COVID \$4.8M, net increase in personnel costs \$9.0M, Jail expenses including inmate healthcare \$2.8M, Contingency \$1.0M, indirect cost allocation due to higher facility costs \$3.5M, Utilities including natural gas and electric rate increases \$0.5M, Information Systems direct cost allocation \$0.3M, Library State Aid expense \$0.2M, and security costs \$0.3M.

All Funds decrease of \$14.7M is primarily attributable to: General Fund \$30.2M, Berks Heim \$2.0M operating expense increase as more fully described in the Berks Heim section, net increase in personnel costs \$1.0M, Employment & Training grant expense \$0.6M, and COCA funding net increase inclusive of opioid settlement funding \$0.2M. Offset by removal of 2023 Cares Act/American Recovery Fund expenditures (\$26.5M), Health Choices removal of expense related to supplemental funding (\$7.9M), Community Development and Affordable Housing removal of Emergency Rental Assistance grant expense (\$6.8M), debt (\$1.9M), capital (\$3.0M), Aging change to bring care management services in-house (\$0.7M), Berks County Residential Center closure (\$0.7M), and indirect cost allocation reduction including Berks County Residential Center closure (\$0.6M).

### Debt

The total debt service expenditure budget for all fund types, net of Berks Heim bond premium amortization, is \$14.3M compared to \$16.4M for 2023, a decrease of (\$2.1M). This is due to scheduled debt amortization, principally the 2019 bond (\$4.2M) resulting from a partial defeasance offset by the 2015 bond \$2.1M. The debt service expenditures by fund are: General fund \$10.5M, 911 Communication Center \$3.4M, and Berk Heim \$0.4M We do not anticipate any new debt issuances in 2024.

### Fund Balance

Total General Fund and Unassigned fund balances are projected to be \$143.2M and \$127.3M, respectively on December 31, 2024. Unassigned fund reserves represent 79-day operating expense float for all governmental funds. This satisfies our reserve policy and minimum GFOA best practice of two months or 60 days. Unassigned fund balance can be used for any general governmental purpose. The remaining fund balance is limited to use based upon liquidity, legal restrictions, formal action of the Commissioners' regarding specific restrictions, commitments, and assignments of fund balance expected on December 31, 2024. We have eliminated the assignment of fund balance for health costs of \$4.0M for December 31, 2023 to be used to fund a portion of the of the capital plan related to South Campus office space fit-out in 2024. An assignment for health costs originated shortly after we had transitioned from a fully insured to a self-insured health plan in 2006 and has never been utilized. Our stop loss insurance has proven to be sufficient for large claim years. For December 31, 2023, we project a total fund balance of \$197.4M, with committed funds of \$57.3M and unassigned funds of \$127.2M. The Committed funds represent our 2024 planned use of reserves for capital of \$22.7M, and remaining expenditures of Covid community support and infrastructure commitments of \$31.6M.

### Personnel/Staffing

The total personnel budget, inclusive of wages, payroll taxes, fringe benefits, GASB 68 pension expense for Berks Heim, and workers' compensation is \$192.6M, an increase of \$10.0M or 5.5% over the 2023 Adopted Budget of \$182.6M. The 2024 wage component is \$134.0M compared to \$129.1M for 2023, an increase of \$4.9M. The increase is attributable to base pay cost of living adjustments (COLA) of \$4.6M and competitive pay increases of \$4.8M, of which, \$2.3M is Berks Heim, and the remainder is spread over several departments based upon salary survey, offset by decrease in headcount of (\$3.8M), primarily due to BCRC closure, and turnover related pay revisions of (\$0.7M). On a percentage basis, total wages increased by 3.76%. The average COLA increase applied to base pay is 3.59%. This is less than both CPI-U of 3.7% and Employer Cost Index for State and Local Government Employees (ECI) of 4.8%, as of September 2023. Competitive pay increases have become necessary to retain and attract talented employees to continue to satisfy mandatory staffing levels, enhance revenue opportunities at our nursing home, and quality services to our constituents. It is well documented that employee turnover results in lost productivity and institutional knowledge. The budget reflects the Commissioners' strategic emphasis on retention of staff and attraction of talent in a very competitive environment.

Fringe benefits inclusive of pension contribution and health care costs, net of employee contributions, is \$43.9M, resulting in a \$5.0M increase or 12.93% higher than the 2023 Adopted Budget of \$38.9M. The pension contribution makes up \$3.9M of this increase. Without the pension, the increase is \$1.1M or 2.7% higher than the 2023 Adopted Budget. This is attributable to a decrease in employee contribution to health of \$0.1M and an increase in health benefits \$1.0M. The increase in health benefits of 2.45% is due to higher utilization per member and inflation, partially offset by a lower number of enrolled employees due to vacancies and decrease in number of budgeted positions. This also explains the decrease in employee contributions to health benefits. The increase in pension contribution results from implementing actuary recommendations for the valuation of assets effective January 1, 2023 and the decline in pension asset values due to economic uncertainty and geo-political events.

#### **Change in Full-Time Equivalent Headcount**

<b>Status</b>	<b>2024</b>	<b>2023</b>	<b>Inc (Dec)</b>
<b>Full Time</b>	<b>2005</b>	<b>2055</b>	<b>(50.0)</b>
<b>Part Time</b>	<b>164</b>	<b>162</b>	<b>2.0</b>
<b>Total</b>	<b>2169</b>	<b>2217</b>	<b>-48</b>

Funded, full-time equivalent (FTE) positions have decreased by (48) for a total of 2,169 positions. This is primarily due to reduction of (59.5) FTE removed in 2023 due to closure of BCRC, zero budgeting of (8) FTE between Adult Probation and Juvenile Probation due to the reduction of Supervision Fees reimbursement, and elimination of (8.5) FTE as a result of reviewing need for positions with extended vacancy status, offset by 10 FTE Aging positions added due to insourcing of care management and increase in departmental activity,

3 FTE for Information Systems due to increase in cyber security measures, 3 FTE for paid Interns in District Attorney and Public Defenders to support recruiting efforts, 2 FTE in each of the following offices due to either increased volume of work or business continuity/succession planning: Solicitor, Facilities, and Court Administration, 1 FTE each in Department of Emergency Services, Elections, Parks, Purchasing, and Berks Hiem departments, and 0.5 FTE for each Veteran's Affairs and Employment & Training.

#### Jail

The 2024 net costs are \$50.1M, an increase of \$34.3M, compared to the 2023 net costs of \$15.8M. This increase is primarily attributable to the application of ARP lost revenue of \$29.6M applied to the Jail's operating costs, with 2023 being the last year of funding. In addition, the increase also includes personnel costs \$1.5M, inmate health \$1.5M, and capital \$1.0M. The increase in personnel consists of wages and payroll taxes \$0.7M and health and pension benefits \$0.8M. The increase in wages is primarily due to the growth in union wages pursuant to collective bargain labor agreements, and to a lesser extent an increase in management wages. Please see our 2023 Proposed Budget Message for a more extensive explanation of ARP Lost Revenue budget and application.

#### Children and Youth Services (CYS)

The required county contribution for CYS in 2024 is \$6.2M compared to \$6.1M in 2023. Despite an increase in personnel costs, the county match remains almost static. This is due to the County continuing to leverage lower cost counseling and in-home service solutions before placing children out of their home and by using family members rather than more expensive out of home facility placements.

#### Berks Heim

The 2024 net income is projected at \$4.2M, an increase of \$2.1M compared to 2023 of \$2.1M. This increase is due primarily to higher Access to Care (IGT) revenue of \$8.8M and lower MA Assessment cost \$0.2M. The net income is also offset by a net decrease in patient bed day and therapy revenues of \$0.8M, 2023 expiration of one-time state grants \$1.0M, higher wages and payroll taxes \$1.8M, fringe benefits \$1.1M, and net asset IGT transfer to the General Fund \$2.1M.

We anticipate the number of residents will grow from 305 to 340 by year-end, an average of 323 residents per day for the year. Our current 2023 census has consistently been in the 305 range since August. The 2023 budget assumed census would grow to 364 but that has not materialized due to the persistent labor shortage of direct care employees (including RNs/LPNs/CNAs/Dietary), combined with more stringent State Department of Health direct care staffing ratios, and an increase in the required hours per resident per day.

The increase in wages and payroll taxes is due to management and contractual CBA rate increases including off-budget modifications in 2023 to provide sign-on bonuses, rate increases, and shift differentials to retain and attract direct care employees to support our resident census growth plan.

With regards to IGT, the County General Fund will contribute \$17.1M to the State, and in return Berks Heim will receive \$31.7M in Access to Care Medicaid funds. Berks Heim will contribute \$17.1M to the General Fund as a voluntary net asset transfer. The net benefit is

estimated to be \$14.7M compared to \$8.0M for 2023, a \$6.7M increase. The actual result will be dependent upon the resident census for MA beds.

Capital Program

The 2024 Capital Expenditure Plan is \$26.1M, which is \$2.3M higher than 2023 of \$23.8M. The projects are funded by restricted/special revenue fund balances and grants of \$3.4M and General Fund reserves of \$22.7M. Highlights of the 2024 plan are as follows:

<b>2024 Summary Capital Plan (in Millions)</b>			
County Bridges	\$1.5	IS Hardware/Software	\$1.5
South Campus Improvements	\$6.3	Jail Improvements	\$1.4
Facility Upgrades	\$8.5	Comm CTR Workstations	\$0.7
Parks Facility Improvements	\$2.4	Ag Land Easements	\$1.0
Vehicles	\$1.6	Other Equipment/Upgrades	\$1.2
<b>Total Capital</b>			<b>\$26.1</b>

Facility projects include \$2.5M CRC building renovations including HVAC and elevators, \$2.2M Ag Center exterior and interior renovations including ADA compliance, and \$1.1M Steam Plant tank and related transmission line. Parks includes \$2.0M for the refurbishment of the Gring’s Mill Bridge and Beidler House. Jail includes \$0.9M in parking lot/driveway paving and \$0.2M for inmate yard fencing. Information Systems (IS) includes upgrades to case management system, firewall, and network switches. Additionally, this plan includes carryover of \$2.4M of projects authorized in the 2023 budget that were not completed pending space study and supply chain issues. The carryover includes improvements to Berks Road Bridge \$0.9M and lighting control systems of \$1.0M. This saved General Fund dollars in 2023 that will be expended in 2024.

Agricultural Land Preservation

The County will continue its commitment to farmland preservation in the amount of \$1.0M per year to leverage federal and state funds for new easement acquisitions as itemized in the 2024 Summary Capital Plan table.

Library System Support

The county will contribute \$3.9M in General Fund tax dollars to the countywide public library system which maintains our contractual commitment of \$0.9M to the Reading Public Library. This represents an increase of \$0.2M over 2023 due to a net increase in personnel, capital, and other operating costs.

Park System Support

The county will contribute \$5.8M in General Fund tax dollars to the countywide parks system. This represents an increase of \$1.5M over 2023 primarily due to an increase in capital and personnel.

### Sponsorship Agreements

The County will continue its support and/or sponsor commitments with General Fund tax dollars as follows:

- RACC – \$3.25M education operating stipend. In addition, the Berks County Redevelopment Authority will provide funding of \$1.0M for the Weitz Health Pavilion.
- Economic Development-\$1.0M for personnel, business outreach & includes GRCA \$0.5M.
- SCTA/BARTA – County will increase its funding by 5% to \$0.5M.

### **Closing Remarks**

The budget is presented today as the first step in the public review process. The 2024 Proposed Budget will be available for public inspection on the county website, in the County Commissioners' Office, and in the Office of Budget and Finance. Final adoption of the budget is scheduled for Thursday, December 14, 2023.

Respectfully Submitted,

Robert J. Patrizio, Chief Financial Officer

Date: November 16, 2023