COUNTY OF BERKS, PENNSYLVANIA
Office of Budget & Finance

Services Center, 13th Floor
633 Court Street
Reading, PA 19601

Phone: 610.478.6190
Fax: 610.478.6206

Berks County 2027 Proposed Budget

We are pleased to present the 2027 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 2027, including navigating a tight labor market, inflation, volatile economy, and demand for additional public safety services, affecting personnel growth and costs of services.

We believe this budget is responsive to the needs of the county taxpayers and the Commissioners' goal of a responsible budget that satisfies the mandated service requirement and other needs of the community. 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 a responsible combination of both reserves and new debt, prioritizes capital expenditures for facility/bridge infrastructure, and utilizes technology that enhances process improvement and security. In addition, we believe this budget further supports the County's efforts to preserve our Aaa Moody's bond rating and maintains our ability to be of the highest quality and lowest level of risk for a debt issuer.

This budget continues our maintenance of facilities and parks, 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), local transportation (SCTA/BARTA), and Schuylkill River Passenger Rail. 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. This budget also includes $4.0M of Covid Community Support Funds to provide economic development associated with the second and final payment for Colebrookdale Railroad.

We continue to experience the compounding effects of residual inflation as it relates to contracted services, utilities, cost of facility maintenance, wages, and benefit costs. While we have had success in retaining employees, we still have increasing pressure on wage growth resulting from collective bargaining labor negotiations. Due to our success in filling vacant positions, we now have higher enrollment in our benefit plans, resulting in higher volume of claims, costs, and pension contribution. We have partially offset this by asking our employees to contribute a greater percentage of their pay to healthcare benefits. In addition, our tax base growth slowed due to high commercial and residential borrowing rates, and high volume of tax assessment appeals. While our property values continue to increase,

our Common Level Ratio (CLR) continues to decline to normalize taxable assessed value to the last year of a county wide re-assessment in 1994. Given the addition of new residential and commercial properties being added to the tax rolls during 2026, our county-wide total taxable assessed value increased $71.6M or a $0.6M increase in tax revenue in 2027. For a second year in a row we have responded to growing expenditures by implementing a countywide initiative labeled "Berks on a Diet." Departments were tasked with limiting operating expenses to a 2% increase over the prior year's budget. This initiative was also extended to limiting growth in discretionary programs and maintaining the same level of support or less to provide for community support requests. For the third year in a row, we are utilizing a portion of our nursing home success to help offset some of the tax burden for our property taxpayers. Despite these efforts our mandatory and discretionary operating expenses continue to exceed the growth in our taxable assessed value.

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 2027 has an operating deficit ($6.5M). This is an increase of ($6.5M) over the adopted 2026 operating budget which was balanced at $0.0M. This increase in the deficit is primarily due to increases in wages and benefits and operating expense including inmate health at the Jail ($1.0M), new operating expense for the new facilities at 600 Penn St. ($0.5M), increased local match requirement for Children and Youth Services ($2.1M), increases in wages and benefits and operating expense including increased maintenance costs for the 911 Emergency Response system ($1.9M) and other offsetting decreases in revenue and increases in operating expense ($1.0M). Please note our operating deficit does not include the special revenue and proprietary funds for which there are dedicated funding streams, reserves and net assets, and one-time general fund expenditures for capital.

Substantiated by the preliminary operating deficit, our county's budget has a structural deficit. Simply put, our operating expenditures are growing at a faster rate than our assessed value growth, which results in an increased need for tax revenues. When this occurs, the need exists for more property tax revenue and unfortunately this is the situation in 2027. We are 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 for programs such as parks and library systems 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.

Consequently, we are recommending a tax millage rate increase from 9.013 to 9.346 mills, an increase of 3.7%. This represents an annual and weekly increase of $33.30 and $0.64, respectively, per $100,000 of assessed value. This generates an additional $6.5M in County property tax revenue. This averages out to be 1.85% per year for 2026 and 2027 and is substantially lower than the cumulative rate of inflation of 5.96%, as measured by the Bureau of Labor and Statistics Consumer Price Index (CPI-U). The 12 months prior CPI-U inflation rate released for September 2026 was 3.7%. 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 2027 net operating budget is balanced. This tax increase, consistent with the inflationary environment in which our governmental services are provided and the cost of goods are purchased, prevents postponing the increase to future periods which could accumulate a higher tax increase and a more difficult burden on the taxpayers of Berks County. 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 ($40.0M). This deficit is primarily due to total capital expenditures of ($48.8M) offset by the increase in net tax revenue of $7.8M, including assessed value growth and the imposed tax increase. This deficit is large in comparison to prior years as the capital project planned for the Regional Youth Center renovations for $18.8M will be bond funded but the bond proceeds will not be realized until the bond issuance occurs in 2028 upon which the Regional Youth Center intergovernmental partnership will share the costs of this upcoming debt service.

Consistent with our policy and GFOA best practices, we, once again, propose funding a portion of one-time capital expenditures with general fund reserves, and any operating losses for specific special revenue funds with restricted reserves.

The realization of the 2027 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, level of demand for human service and criminal justice programs, growth or reduction in headcount, 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:

- 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.
- Continued execution of the IMAGINE Berks Strategic Plan. For more information use the following link: IMAGINE Berks Strategic Plan

Budget Summary and Select Highlights

Real Estate Tax Comparison

Total 2027 tax revenue is $187.3M, an increase over 2026 of $7.7M. The increase is $1.0M from organic growth in taxable assessed value, $6.5M from the proposed tax rate increase including $0.2M interim tax revenue increase. No change was applied to tax claim revenue due to consistent collection rates on current tax billings. Although our tax base growth declined for 2026 resulting in a (0.02%) decrease, assessed values projected for 2027 include 0.36% increase of organic growth from new construction in both the residential and commercial markets. This growth value is less assessment appeals finalized in 2026 which reduced assessed value and decreased the overall taxable assessed value for tax revenue. The common denominator over the past three years has been growth in market value of properties driven by population growth, higher demand, and shortage of residential housing units. As market value of property rises the Common Level Ratio decreases; creating an opportunity to file an appeal and lower one's taxable assessed value. The combination of these factors offset growth in 2026 taxable assessed value associated with new buildings and taxable renovations.

Real Estate Tax Revenue (in Millions)		
	2027	**2026**
Millage Rate	9.346	9.013
Assessed Value -Billions	$20.2	$20.2
Percent Increase	0.36%	-0.02%
Net Tax Billing	$181.5	$174.0
Interims	$1.2	$1.0
Net Tax Collections	$182.7	$175.0
Tax Claim Revenue	$4.6	$4.6
Total Tax Revenue	$187.3	$179.6

Note: 2026 Assessed Value is provided by the Assessment Office and reflected in November 2026 abstract information

General Fund and All Funds Budget Comparison

Revenue and Expenditures (In Millions)

General Fund:	2027	2026	Inc./(Dec.)	% Change Inc./(Dec.)
Total Revenue	$303.3	$291.6	$11.7	4.01%
Total Expense	$303.3	$296.5	$6.8	2.29%
Less Total Adjustments	$18.4	$13.7	$4.7	
Net Surplus/(Deficit)	**($18.4)**	**($18.6)**	**$0.2**	

All Funds:	2027	2026	Inc./(Dec.)	% Change Inc./(Dec.)
Total Revenue	$673.1	$677.2	($4.1)	-0.61%
Total Expense	$713.7	$690.0	$23.7	3.43%
Less Expense Adjustments	($0.6)	$0.7	($1.3)	
Net Surplus/(Deficit)	**($40.0)**	**($13.5)**	**($26.5)**	

(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 increase of $11.7M is primarily attributable to: increase in Total Tax Revenue of $7.7M, increase in the IGT net asset transfer from Berks Heim $0.9M, indirect cost reimbursement due to higher facility and service provider departmental costs $0.8M, Juvenile Probation Office (JPO) grant revenue $0.7M, Row Officer Revenue $0.5M including Recorder of Deeds Transfer and Universal Parcel Identification Fees and Clerk of Courts office fees, Solid Waste Fees $0.5M due to increase in Tipping Fees, and other revenues netting $0.6M.

All Funds decrease of ($4.1M) is primarily attributable to: General Fund increase of $11.7M, Children and Youth Services (CYS) grant revenue increase of $7.7M due to higher placement costs, Berks Heim increase of $3.2M due to increase in Medicare and Medicaid rates as well as a projected census increase for 2027, MH/DD increase of $2.9M due to increase in state allocation, COCA increase of $2.3M due to increase in Prevention funding, Human Services increase of $0.7M for a new State Food Purchase Program, and Youth Shelter increase of $0.3M. Offset by bond proceeds of ($25.0M) due to there being no anticipated bond issuance in 2027, a decrease in Human Service State funding for Health Choices ($7.7M) and decreases in other revenues netting ($0.2M).

Expenditures

General Fund increase of $6.8M is primarily attributable to: increase in capital expense of $4.5M, increase in Contingency of $2.6M, net increase in personnel costs $2.2M, increase in IGT Contribution of $0.9M, increase in Facilities expense of $0.5M due to addition of expense related to the purchase of 600 Penn, increase in Jail expense of $0.4M, increase in Debt Service of $0.5M due to 2026 Bond Issuance, an increase in indirect cost allocation due to higher facility and service provider departmental costs $0.3M, and other expenses netting $0.7M. Offset by Community and Economic Development ($3.5M), Juvenile Probation Office expense ($2.3M).

All Funds increase of $23.7M is primarily attributable to: General Fund increase of $6.8M, increase in capital expense of $11.2M, increase in Children and Youth Services of $9.2M, increase in Human Service Provider Departments including MHDD for $2.8M and COCA for $2.3M, increase in Berks Heim of $1.4M, increase in Emergency 911 Systems operating costs of $1.7M, and an increase in indirect cost allocation due to higher facility and service provider departmental costs $0.5M. Offset by a decrease in Health Choices ($7.8M), net decrease in personnel costs ($3.9M), and other expenses netting ($0.5M).

Debt

For the first time since 2015, the County issued new debt in 2026 to fund capital improvements planned and in progress from 2025 through 2027 calendar years. Given our strong financial position and our Aaa bond rating our $27.0M bond issuance resulted in selling our bonds at a premium, adding $2.3M to our bond proceeds for use on county capital projects. The total 2027 debt service is $12.5 million which includes a $0.5M increase over the 2026 adopted budget. This increase is a result of only having one interest payment required for the new 2026 bond issuance in November of 2026, whereas typically there are two interest payments annually, May and November. The 2027 debt service expenditures by fund are as follows: General fund $10.0M, 911 Communication Center $2.3M, and Berk Heim $0.2M.

Fund Balance

Total General Fund and Unassigned fund balances are projected to be $155.9M and $136.4M, respectively on December 31, 2027. Unassigned fund reserves represent 75-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 or before December 31, 2026. For December 31, 2026, we project a total General Fund balance of $174.3M, with committed funds of $37.9M and unassigned funds of $136.4M. The committed funds include our planned use of reserves for General Fund capital of $14.6M and expenditures related to Covid Community Support funding of $4.0M.

Personnel/Staffing

The total personnel budget, inclusive of wages, payroll taxes, fringe benefits, GASB 68 pension expense for Berks Heim, and workers' compensation is $211.1M, a decrease of ($1.7M) or (0.79%) compared to the 2026 Adopted Budget of $212.8M. The 2027 wage component is $150.4M compared to $146.2M for 2026, an increase of $4.3M or 2.91%. Of this total 3.09% is the weighted average base pay cost of living adjustments (COLA) for management and union employees. The annualized Q3 2026 Employer Cost Index for government employees is 3.5%. The budget reflects the Commissioners' strategic emphasis on retention of staff and attraction of talent, while reducing the size of pay increases commensurate with the decline in recent and forecasted rates of inflation, in what continues to be, a competitive labor environment.

Fringe benefits, net of employee contributions, are $52.6M. This equates to a ($0.4M) or (0.73%) decrease over the 2026 Adopted Budget of $52.9M. The biggest components of the net fringe benefit decrease are pension costs ($2.6M), unemployment benefits ($0.2M) and increased employee contributions $0.4M, offset by increases in health and dental insurance including higher costs associated with the renewal of County stop-loss insurance $1.9M, and lower stop-loss reimbursement ($0.9M).The decrease in the pension cost is due to the currently favorable market conditions that have led to our pension asset value exceeding prior projections leading to a lower annual contribution from the county.

Change in Full-Time Equivalent Headcount

Status	2027	2026	Inc (Dec)
Full Time	1994	1988	6.0
Part Time	148.5	150	(1.5)
Total	2142.5	2138	4.5

The increase in funded, full-time equivalent (FTE) positions is due to the reinstatement of six full-time nursing positions within Berks Heim offset by the elimination of three part-time positions, one in each of the following departments: Courts, Parks, and Public Defenders.

Jail

The 2027 net cost is $57.5M, compared to the 2026 net cost of $54.5M, an increase of $3.0M. The revenue is relatively consistent between 2027 and 2026 with a small increase that rounds down to $0.0M. The expenditures are $58.6 M and $55.6M for 2027 and 2026 respectively, an increase of $3.0M. The increase in expenditures includes an increase in capital expense of $2.0M, personnel costs of $0.4M, operating expense of $0.4M, and $0.2M interfund transfers. The increase in personnel consists of wages, payroll tax, healthcare expense, and pension benefits. The increase in capital expense is largely attributable to the addition of two projects, Renovations to the Old Administration Building for $0.8M and Replacement of HVAC units for $1.5M. The 2027 operating budget is based upon the trend of current expenditures of the Jail with an average daily population ADP of 681 through October 2026.

Children and Youth Services (CYS)

The required county contribution for CYS in 2027 is $9.6M compared to $7.4M in 2026. Overall, CYS expenses increased by $9.9M, including personnel for $0.4M, purchased services for $8.5M, which includes an increase in complex cases that come at a higher cost and require one on one care $1.4M, increased costs for Berks County Youth Shelter placements $0.7M, and an increase in indirect costs for County provided administration $0.3M.

Juvenile Probation (JPO)

The 2027 net cost is $10.4M compared to $13.3M in 2026, representing a decrease of $2.9M. JPO revenue is primarily generated through the reimbursement process administered by the Pennsylvania Department of Human Services, Office of Children, Youth and Families (OCYF). As a result of increased state funding, grant revenue is expected to increase from $11.1M in 2026 to $11.8M in 2027. The required County contribution is projected to

decrease from $8.0M in 2026 to $4.9M in 2027. This $3.1M reduction is primarily attributable to the elimination of $2.4M in overmatch expense or unfunded reimbursable expenses due to an expected allocation increase in Act 148 State funding.

Berks Heim

The 2027 net income, before contribution to the general fund, is projected at $5.1M, compared to ($1.4M) in 2025. The increase in net income is largely a result of a ($5.9M) decrease in the net pension asset expense. Given the continued success of our retirement investments a reduction will be recognized for Berks Heim to reduce the pension asset as the County's retirement benefits grow closer to being fully funded. In addition, the average bed census for 2027 is projected to increase to a daily bed count from 320 to 330 beds for the full year. This will contribute to additional revenues being offset by increased variable expenses associated with expanding the census and inflationary increases in standard operating expenses.

For the third consecutive year, we are recommending a contribution from net income/net assets of $1.5M to the county general fund to provide a benefit to the property taxpayers by way of lowering the need for additional tax revenue. With this transfer included, the net income is budgeted to be $3.6M for 2027. Total Berks Heim Enterprise Fund Unassigned fund balance is projected to be $22.5M on December 31, 2027. Unassigned fund reserves represent 60-day operating expense float for Berks Heim operations. This continues to satisfy the GFOA best practice of two months or 60 days of funding reserves.

The County intends to continue its participation in the Intergovernmental Transfer Agreement (IGT) with the Pennsylvania Department of Human Services for the purpose of obtaining enhanced Medical Assistance payments to the County's nursing facility in 2027. With regards to IGT, the County General Fund will contribute $15.2M to the State, and in return Berks Heim is projected to receive $24.7M in Access to Care Medicaid funds. Berks Heim will contribute $15.2M to the General Fund as a voluntary net asset transfer. The net benefit to Berks Heim is estimated to be $9.5M.

Capital Program

The 2027 Capital Expenditure Plan is $48.8M, which is $15.6M higher than the 2026 plan of $33.2M. The projects are funded by restricted/special revenue fund balances and grants of $14.1M, General Fund reserves of $14.6M, and Bond Proceeds of $20.1M. Highlights of the 2027 plan are as follows:

2027 Summary Capital Plan (in Millions)			
Regional Youth Center	$18.8	Jail Improvements	$2.5
County Bridges	$11.3	Information Systems Upgrades	$1.4
Facilities Department Projects	$6.8	Ag Land Easements	$1.0
Berks Heim Improvements	$2.6	Other Projects & Vehicles	$4.4
		Total Capital	**$48.8**

County Bridge projects include $3.9M for Krick's Mill Bridge, $2.0M for Griesemer's Mill Bridge Rehabilitation, $1.5M for Monocacy Bridge Replacement, and $1.5M for Reading Gateway Bridge Repairs. Facilities department projects include $1.5M for 600 Penn HVAC replacements, and $1.0M for 600 Penn Roof Replacement. Berks Heim projects include $1.9M for Laundry Equipment replacements. Jail projects include $1.5M for HVAC replacements and $0.8M for Old Administration Building Renovations. Information Systems includes $0.8M for Network Server upgrades and $0.4M for SAN Storage expansion.

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 2027 Summary Capital Plan table.

Library System Support

The county will contribute $4.0M in General Fund tax dollars to the countywide public library system including our contractual commitment of $0.9M to the Reading Public Library. The total General Fund contribution includes an increase of $0.1M over 2026 due to a net increase in salaries and benefits offset by reductions in operating expense, most notably materials processing for library and archival needs.

Park System Support

The county will contribute $4.3M in General Fund tax dollars to the countywide parks system. This represents an increase of $0.4M over 2026 primarily due to an increase in capital projects, specifically replacement vehicle and equipment purchases scheduled for 2027.

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 capital projects.
- Economic Development-$1.5M for personnel, business outreach, continuation of IMAGINE Berks program funding & includes GRCA $0.5M.
- SCTA/BARTA – County will increase its funding by 4.04% to $0.55M.

Closing Remarks

The budget is presented today as the first step in the public review process. The 2027 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 17, 2026.

Respectfully Submitted,

Laura Jones, Chief Financial Officer
Date: November 19, 2026