



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

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## **Berks County 2025 Proposed Budget**

We are pleased to present the 2025 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 2025, 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 county taxpayers and the Commissioners' goal of a responsible budget that satisfies the mandated service requirements 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 uses 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), 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 our jail population.

The budget includes \$25.9M for payout of remaining commitments for Covid Community grants, inclusive of \$5M for implementation of the IMAGINE Berks Strategic Plan related to an economic development infrastructure bank managed by the Berks County Industrial Development Authority. 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, while achieving all the Commissioner goals including compliance with our minimum reserve policy and Government Finance Officers Association (GFOA) best practices for use of reserves. To do so, we need an operating budget that does not rely, year over year, on the use of reserves to fund recurring operating deficits. Our preliminary budget

for 2025 has an operating deficit of (\$12.8M). This is primarily due to increases in personnel costs, slower tax base growth, new debt service, increases in contracted services, Emergency 911 System support for personnel costs, capital, and other operating expenses. This is partially offset by an increase in net tax claim revenue, interest income, contribution from the Berks Heim nursing home, and higher fee-for-service revenues. Please note, our operating deficit does not include the use of general funds for capital expenditures and the special revenue and proprietary funds, for which there are dedicated funding streams, reserves, and net assets.

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 contributions. We have partially offset this by implementing programs to control the growth of high-cost prescription drugs and asking our employees to contribute a greater percentage of their pay to healthcare benefits.

Our tax base growth slowed due to high commercial and residential borrowing rates, and a higher 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, implemented in 1994. This decline has resulted in a reduction in taxable assessed value of \$64.0M or a (\$0.5M) reduction in tax revenue in 2025.

We have responded to these challenges by reducing headcount, increasing discretionary fee revenue in the Recorder of Deeds and Planning departments, securing grants, increasing facility rental income with a new Long-Term Structured Residence (LTSR) provider, reducing rent expense with consolidation into our Ag Center and South Campus locations, enhancing the performance of our nursing home, and limiting growth in other discretionary programs. Other than adding a new Shelter Care program at the Berks County Youth Center, we held the line on most of our discretionary programs and community support requests. For the first time, we are using 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.

Consequently, we are recommending a tax millage rate increase of 8% from 8.345 mills to 9.013 mills. This represents an increase per \$100,000 of assessed value of \$66.76 annually and \$1.28 weekly. This generates an additional \$12.8M in current property tax revenue. The cumulative tax increase from 2019-2025 of 16.99% is lower than the cumulative rate of inflation of 26.10%, by 9.11%, 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 2025 net operating budget is balanced. This increase enables us to maintain our strong financial position, that has been noted by Moodys as a pillar of our Aaa-stable outlook bond rating, which will be important in lowering the interest costs of a new bond issue in 2025.

The proposed budget surplus (deficit) for all funds (general, restricted, and enterprise fund types) is (\$24.5M). The deficit is primarily due to General Fund and bond funded capital expenditures of (\$35.8M), Covid community and infrastructure commitments inclusive of IMAGINE Berks support (\$25.9M), and increase in personnel (\$12.9M), offset by new bond proceeds \$35.0M, net tax revenue \$13.9M, and interest income \$1.0M.

Consistent with our policy and GFOA best practices, once again, we 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 2025 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, and debt guarantees.

The Board of Commissioners is keenly aware of these risks and challenges and is 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 2025 tax revenue is \$179.6M, an increase over 2024 of \$13.9M. The increase is attributable to \$0.4M from organic growth in taxable assessed value, \$12.8M from the proposed tax rate increase, \$0.9M in tax claim revenue, offset by a \$0.2M decline in interim tax associated with the completion of new development in 2025. The increase in tax claim revenue is a function of a larger amount of tax revenue being billed and collected. Our actual collection rate of current year billing has been very strong and consistent between 2024 and 2023. Our tax base growth is much lower due to high commercial borrowing and residential mortgage rates which stunted demand, and as previously noted the volume and size of appeals. The following table summarizes the tax revenue in comparison to 2024.

| Real Estate Tax Revenue (in Millions) |         |         |
|---------------------------------------|---------|---------|
|                                       | 2025    | 2024    |
| Millage Rate                          | 9.013   | 8.345   |
| Assessed Value -Billions              | \$20.1  | \$20.1  |
| Percent Increase                      | 0.07%   | 0.92%   |
| Net Tax Billing                       | \$174.1 | \$160.9 |
| Interims                              | \$0.9   | \$1.1   |
| Net Tax Collections                   | \$175.0 | \$162.0 |
| Tax Claim Revenue                     | \$4.6   | \$3.7   |
| Total Tax Revenue                     | \$179.6 | \$165.7 |

Note: 2024 Assessed Value is actual billed March 1, 2024. All other 2024 values are 2024 Adopted Budget

General Fund and All Funds Budget Comparison

**Revenue and Expenditures (In Millions)**

| General Fund:                | 2025            | 2024            | Inc./ (Dec.) | % Change Inc./ (Dec.) |
|------------------------------|-----------------|-----------------|--------------|-----------------------|
| Total Revenue                | \$284.8         | \$269.3         | \$15.5       | 5.76%                 |
| Total Expense                | \$310.8         | \$308.7         | \$2.1        | 0.68%                 |
| Less Total Adjustments       | \$18.0          | \$14.3          | \$3.7        |                       |
| <b>Net Surplus/(Deficit)</b> | <b>(\$44.0)</b> | <b>(\$53.7)</b> | <b>\$9.7</b> |                       |

  

| All Funds:                   | 2025            | 2024            | Inc./ (Dec.)  | % Change Inc./ (Dec.) |
|------------------------------|-----------------|-----------------|---------------|-----------------------|
| Total Revenue                | \$662.9         | \$607.0         | \$55.9        | 9.21%                 |
| Total Expense                | \$686.7         | \$651.8         | \$34.9        | 5.35%                 |
| Less Expense Adjustments     | \$0.7           | \$1.4           | (\$0.7)       |                       |
| <b>Net Surplus/(Deficit)</b> | <b>(\$24.5)</b> | <b>(\$46.2)</b> | <b>\$21.7</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 increase of \$15.5M is primarily attributable to: tax revenue arising from increase in taxable assessed value and tax rate increase \$13.2M, indirect cost reimbursement due to higher facility costs \$2.7M, Juvenile Probation Office (JPO) grant revenue \$1.7M, net income transfer from the nursing home Berks Heim \$1.5M, interest income \$1.0M, and increases in elected officials' revenue including District Attorney grant revenue \$0.4M, Recorder of Deeds UPI fees \$0.3M, and Register of Wills fees \$0.1M. Offset by a reduction in the IGT contribution from Berks Heim (\$2.9M) and ARP interest revenue (\$2.5M).

All Funds increase of \$55.9M is primarily attributable to: General Fund \$15.5M, anticipated Bond Proceeds \$35.0M, our newly established Youth Shelter \$5.5M, Children and Youth Services (CYS) grant revenue \$1.8M, 911 PEMA Fees \$1.0M, Employment & Training grant funding \$0.2M, offset by Berks Heim nursing home revenues (\$3.1M).

#### Expenditures

General Fund increase of \$2.1M is primarily attributable to: net increase in personnel costs \$7.3M, indirect cost allocation due to higher facility costs \$1.1M, and debt service \$1.1M. Offset by capital (\$4.3M) and IGT contribution to the State (\$2.9M).

All Funds increase of \$34.9M is primarily attributable to: General Fund \$2.1M, capital \$22.1M, net increase in personnel costs \$5.6M, newly established Youth Shelter \$1.9M, Berks Heim net asset transfer \$1.5M, CYs grant expense \$1.4M, and JPO grant expense \$1.4M, offset by Emergency 911 Systems debt service (\$1.1M).

#### Debt

For the first time since 2015 the County is planning on a new money debt issue to fund capital improvements. The maximum amount is \$35.0M and adds approximately \$2.5M to annual debt service which is included in the 2025 total debt service of \$14.0M. But for the new bond issue, the annual 2025 debt service would have been \$11.5M. The debt service expenditures by fund are: General fund \$11.6M, 911 Communication Center \$2.3M, and Berk Heim \$0.1M.

#### Fund Balance

Total General Fund and Unassigned fund balances are projected to be \$156.7M and \$139.7M, respectively on December 31, 2025. Unassigned fund reserves represent 84-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. For December 31, 2024, we project a total General Fund balance of \$200.7M, with committed funds of \$46.9M and unassigned funds of \$139.6M. The committed funds include our 2025 planned use of reserves for capital of \$17.8M and remaining expenditures of Covid community support and infrastructure commitments of \$25.9M.

#### Personnel/Staffing

The total personnel budget, inclusive of wages, payroll taxes, fringe benefits, GASB 68 pension expense for Berks Heim, and workers' compensation is \$204.9M, an increase of \$12.9M or 6.71% over the 2024 Adopted Budget of \$192.0M. The 2024 wage component is \$141.2M compared to \$134.0M for 2024, an increase of \$7.2M or 5.37%. This includes \$2.4M for our new Youth Shelter program. But for this new program, the increase in wages would have been \$4.8M, or a more reasonable increase of 3.58%. Of this total, 3.41% is weighted average base pay cost of living adjustments (COLA) for management and union employees and 0.17% for wage adjustments net of elimination of funding for positions. The annualized Q3 2024 Employer Cost Index is 3.2%. By comparison, the 2024 average COLA increase was 3.59%. The budget reflects the Commissioners' strategic emphasis on retention of staff and attraction of talent, in what continues to be a competitive labor environment.

Fringe benefits, net of employee contributions, is \$50.7M, resulting in a \$7.0M increase or 15.92% higher than the 2024 Adopted Budget of \$43.7M. This includes \$1.0M for our new Youth Shelter program employees. But for this, the increase in fringe benefits costs would have been \$6.0M or 13.73% increase. The biggest components of the net fringe benefit increase are pension costs \$2.7M, employee benefits, including health, dental, and disability, \$4.1M, union health and welfare contributions \$0.6M, offset by increase in employee payroll contributions of \$0.5M. The increase in health benefits is due to more enrolled employees, and higher average claims' cost due to medical inflation and utilization. In addition, pension costs continue to grow from higher wages and residual effect of implementing actuary recommendation to change the asset valuation method effective January 1, 2023.

**Change in Full-Time Equivalent Headcount**

| Status       | 2025        | 2024        | Inc (Dec)  |
|--------------|-------------|-------------|------------|
| Full Time    | 1995        | 2005        | (10.0)     |
| Part Time    | 155         | 164         | (9.0)      |
| <b>Total</b> | <b>2150</b> | <b>2169</b> | <b>-19</b> |

The decreased in funded full-time equivalent (FTE) positions is primarily due to reduction of (52) FTE at our skilled nursing facility Berks Heim, to align staffing with 2025 resident census goal of 320 per day, offset by the addition of 38 FTE to staff our new Youth Shelter program. There is an additional net reduction of (4) positions consisting of 12 FTE additions, offset by (16) FTE reductions. These are spread over 21 departments with the largest increase being in the District Attorney's Office to respond to a change in sentencing preparation. The largest reduction being in the Sheriff's Office to pay for an increase in deputy sheriff working hours.

Jail

The 2025 net cost is \$56.9M, compared to the 2024 net costs of \$51.4M, an increase of \$5.5M. The revenue is \$0.9M and \$0.7M, for 2025 and 2024 respectively. The expenditures are \$57.7M and \$52.1M for 2025 and 2024 respectively, an increase of \$5.6M. The increase includes personnel costs \$1.9M, inmate health \$0.7M, and capital \$2.8M. The increase in personnel consists of wages, payroll tax, and health and pension benefits. The increase in wages is primarily due to union wages pursuant to collective bargaining labor agreements and outcome of current negotiations. The 2025 Budget is based upon an average daily inmate population of 800.

Berks County Youth Shelter (BCYC)

In July of 2024, the County opened the Berks County Youth Center, Shelter Program in response to a statewide shelter bed crisis. By repurposing the former Berks County Residential Center facility, this new operation provides shelter for up to 20 youth and young adults involved with either the dependency or delinquency systems and includes options for emergency shelter, particularly for youth with complex needs. In addition, BCYC will be able to provide opportunities for shelter for up to 10 out-of-county youth on a per diem reimbursement basis. The total operating costs for this facility are \$5.6M, including personnel \$3.7M. This operation is funded by Act 148 grant funds through the Pennsylvania Department of Human Services and required local match. This funding is facilitated through our CYS and JPO grant reimbursement process.

Children and Youth Services (CYS)

The required county contribution for CYC in 2025 is \$7.2M compared to \$6.2M in 2024. Overall, CYC expense increased by \$2.8M, including personnel \$1.0M, operating expense \$1.4M, and indirect expense \$0.4M. The increase in operating expense reflects the reimbursable expense for the BCYC program, assuming half of the costs for CYC youth and the remainder for JPO.

Berks Heim

The 2025 net income, before contribution to the general fund, is projected at \$4.2M, compared to 2024 of \$4.8M. The decrease is due to aligning resident bed census and staffing to be consistent with new state staffing ratios. For the first time, we are recommending a transfer 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 \$2.7M for 2025.

The average bed census for 2025 is 320 for the full year, while 2024 budget assumed beginning at 305 and ending at 340. The current 2024 census has consistently been averaging 315 since August. As noted in the Personnel Section, this re-alignment resulted in an FTE reduction of 52 funded positions, primarily in direct care vacant positions.

For 2025, Berks Heim is benefiting from lower GASB 68 pension expense due to strong investment growth, lower number of funded positions, rate increase in both Medicare 4.2% and Medicaid FFS (fee-for-service) of 7%, and implementation of a new capitated Medicare Advantage program.

With regards to IGT, the County General Fund will contribute \$14.1M to the State, and in return Berks Heim is projected to receive \$27.1M in Access to Care Medicaid funds. Berks Heim will contribute \$14.1M to the General Fund as a voluntary contribution. The net benefit is estimated to be \$13.0M.

Capital Program

The 2025 Capital Expenditure Plan is \$43.1M, which is \$17.8M higher than the 2024 plan of \$25.3M. The projects are funded by restricted/special revenue fund balances and grants of \$7.2M, General Fund reserves of \$17.8M, and Bond Proceeds of \$18.0M. Highlights of the 2025 plan are as follows:

| <b>2025 Summary Capital Plan (in Millions)</b> |        |                          |               |
|--|--------|--------------------------|---------------|
| County Bridges - Liquid Fuels                  | \$4.3  | Park Facility Upgrades   | \$3.2         |
| Facility Upgrades                              | \$12.5 | Berks Heim Upgrades      | \$1.1         |
| Space Allocation Fit Out                       | \$9.6  | Ag Land Easements        | \$1.0         |
| Emergency 911 Upgrades                         | \$4.8  | IS Hardware/Software     | \$0.8         |
| Jail Upgrades                                  | \$4.3  | Other Equipment/Upgrades | \$1.5         |
| <b>Total Capital</b>                           |        |                          | <b>\$43.1</b> |

Facility projects include Ag Center exterior and interior renovations including ADA compliance \$5.2M, Steam Plant Decentralization \$3.0M, and Berks Road Bridge \$1.0M. Parks projects include refurbishment of the Gring's Mill Bridge \$2.3M. Jail projects include parking lot/driveway paving \$0.9M and costs related to the Steam Plant Decentralization \$2.0M. Emergency 911 projects include telephone system replacement \$3.4M, and GPS upgrade \$0.7M. Information Systems (IS) projects include upgrades to case management system \$0.5M, network load balancer, and network switches \$0.3M. The 2025 Capital Plan includes \$15.9M of projects (General Fund reserves \$14.4M, Other Funds \$1.5M) approved in the 2024 budget that are carried over to 2025. This saved General Fund dollars in 2024 that will be expended in 2025. The carryover includes improvements for Space Allocation Fit Out \$3.4M, Ag Center Renovations \$2.2M, Emergency 911 projects \$1.4M, and Gring's Mill Bridge Refurbishment \$2.3M.

#### 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 2025 Summary Capital Plan table.

#### Library System Support

The County will contribute \$4.1M 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 2024 due to a net increase in personnel and capital.

#### Park System Support

The County will contribute \$6.3M in General Fund tax dollars to the countywide parks system. This represents an increase of \$0.4M over 2024 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 capital projects.
- Economic Development-\$1.1M for personnel, business outreach & includes GRCA \$0.5M.
- SCTA/BARTA – County will increase its funding by 5% to \$0.52M.

#### **Closing Remarks**

The budget is presented today as the first step in the public review process. The 2025 Proposed Budget will be available for public inspection on the County website ([www.Berkspa.gov](http://www.Berkspa.gov)), in the County Commissioners' Office, and in the Office of Budget and Finance. Final adoption of the budget is scheduled for Thursday, December 19, 2024.

Respectfully Submitted,

Robert J. Patrizio, Chief Financial Officer

Date: November 21, 2024