

# May 2023 Financial Analysis Committee Presentation

Commissioners:

**Gary Eichelberger**

**Jean Foschi**

**Vincent T. DiFilippo**

Chief Operations Officer/Chief Clerk:

**Stacy M. Snyder**

Chief Financial Officer:

**Dana L. Best**

5/16/2023



# Presentation Overview

- Unassigned fund balance is projected to drop below the recommended 100 days of general fund expenses in 2023 and below the 70 days minimum needed to meet general fund cash flow needs in 2024.
- Changes are needed going forward. The earlier a change is made, the greater impact it has on the future years.
- Unassigned fund balance began declining in 2021

	2020	2021	2022	2023	2024
Days of Fund Balance	141	140	131	98	61

- Major changes from the previous projections
  - Prison Medical Management contract increased \$860,300
  - Infor CloudSuite increasing
  - MH.IDD subsidy increased \$2 million
  - Expenses/contracted services have increased due to inflation
- One-time monies have temporarily funded some costs
- Delayed projects
  - COVID-19
  - Labor shortage
  - Supply shortage



# Projections



# 2023 General Fund Projection Comparison

	Projected 2023 (Aug 2022)	Projected 2023 (Mar 2023)	Favorable (Unfavorable)	Percentage Change
<i>Real Estate Taxes</i>	57,320,738	57,510,343	189,605	0.33%
<i>All Other Revenue</i>	28,157,970	30,494,590	2,336,620	8.30%
<i>Revenue Replacement for Govt Services</i>	14,000,000	14,914,824	914,824	6.53%
<b>Total General Fund Revenue</b>	<b>99,478,708</b>	<b>102,919,757</b>	<b>3,441,049</b>	<b>3.46%</b>
<b>Total General Fund Expenses</b>	<b>110,760,315</b>	<b>109,553,386</b>	<b>1,206,929</b>	<b>1.09%</b>
<i>Salary</i>	36,277,128	36,781,818	(504,690)	(1.39%)
<i>Benefit</i>	14,199,834	14,052,764	147,070	1.04%
<i>Operating</i>	25,903,734	27,337,605	(1,433,871)	(5.54%)
<i>Subsidy</i>	11,146,770	13,737,710	(2,590,940)	(23.24%)
<i>Capital</i>	6,656,451	6,476,044	180,407	2.71%
<i>Transfers / Debt</i>	3,184,715	2,819,621	365,094	11.46%
<b><u>Additional Impacts</u></b>				
<i>Fund Balance Moved to Committed</i>	14,000,000	14,914,824	(914,824)	(6.53%)
<i>Cares Act Funding</i>	(14,000)	(14,000)	0	0.00%
<i>CNRC</i>	(594,317)	(553,000)	(41,317)	6.95%
<i>Children &amp; Youth</i>	???	???		
<i>County Allocation for Projects</i>		(6,000,000)	6,000,000	0.00%
<b>Projected Unassigned Fund Balance</b>	<b>23,819,318</b>	<b>28,467,296</b>	<b>4,647,978</b>	<b>19.51%</b>

## Projected Revenues

Other Revenue increasing \$2,336,600 or 8.30%

- **Interest Revenue is increasing \$1,885,000**
- Planning Watershed grant increasing \$906,200 offsetting increase in expense

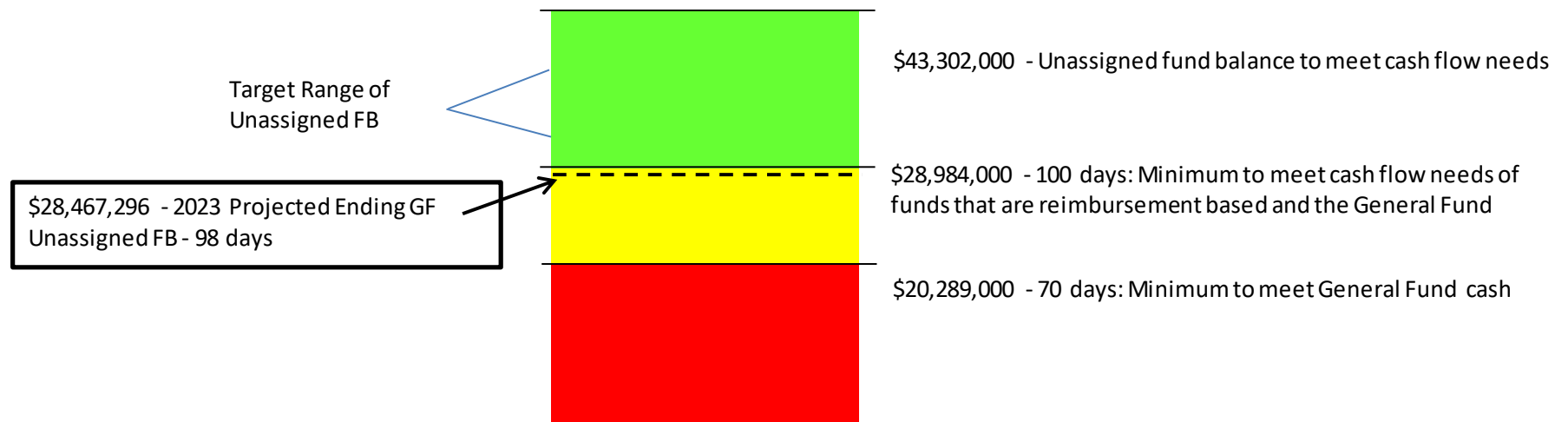
## Projected Expenses

Operating expense increasing \$1,443,900 or 5.54%

- Planning Watershed grant increasing \$906,200 offsetting increase in revenue
- Subsidy increasing \$2,591,000 or 23.24%
- **MH.IDD increasing \$1,769,200**
- **Children & Youth increasing \$589,000**



# Unassigned Fund Balance Thermometer



**Note:** In 2025, Finance will be re-evaluating the fund balance policy, cash flow needs, and the thermometer bands.

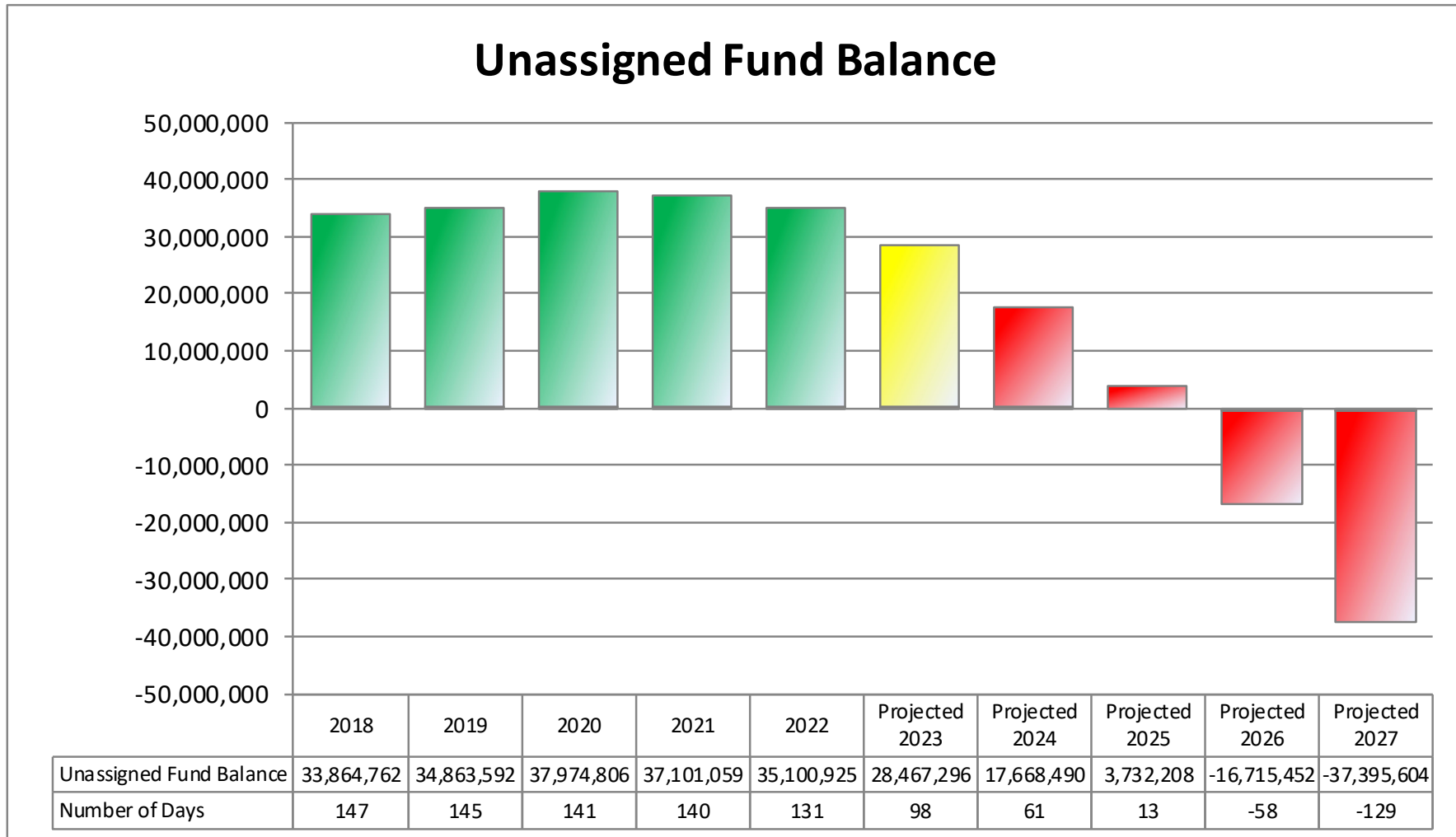


# 2023 Thru 2027 General Fund Projections

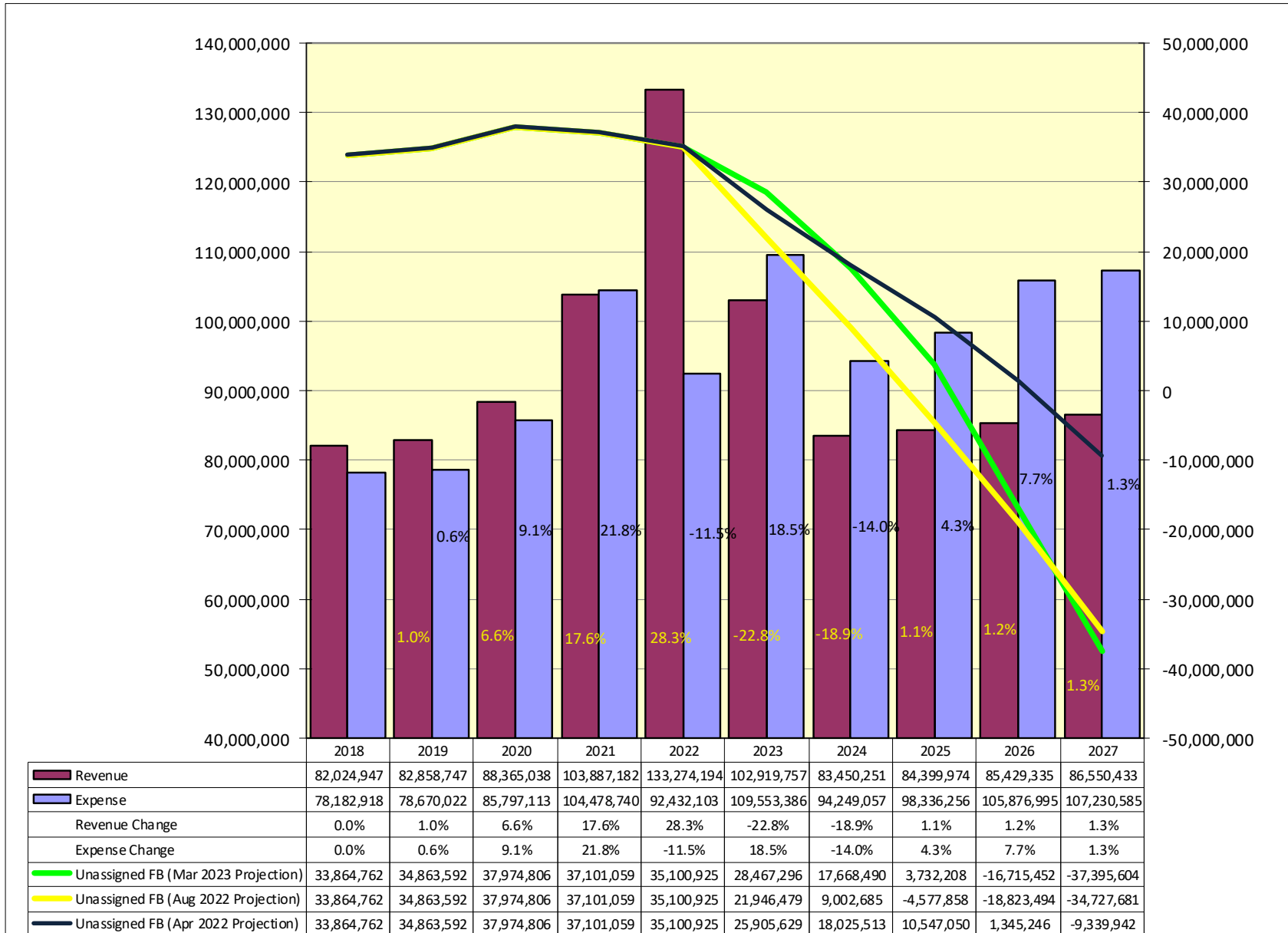
	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027
<i>Real Estate Taxes</i>	57,510,343	58,382,105	59,257,583	60,146,020	61,047,784
<i>All Other Revenue</i>	30,494,590	25,068,146	25,142,391	25,283,315	25,502,649
<i>Revenue Replacement</i>	14,914,824				
<b>Total General Fund Revenue</b>	<b>102,919,757</b>	<b>83,450,251</b>	<b>84,399,974</b>	<b>85,429,335</b>	<b>86,550,433</b>
<b>Total General Fund Expenses</b>	<b>109,553,386</b>	<b>94,249,057</b>	<b>98,336,256</b>	<b>105,876,995</b>	<b>107,230,585</b>
<i>Salary</i>	36,781,818	37,888,817	39,029,138	40,204,697	41,417,647
<i>Benefit</i>	14,052,764	14,448,141	14,953,921	15,572,625	16,033,499
<i>Operating</i>	27,337,605	24,738,969	25,111,807	25,486,260	25,849,902
<i>Subsidy</i>	13,737,710	14,500,104	15,132,035	15,688,971	16,450,716
<i>Capital</i>	6,476,044	5,180,835	5,854,344	5,971,431	4,180,002
<i>Transfers / Debt</i>	2,819,621	3,045,191	3,808,011	3,808,011	3,811,819
<b><u>Additional Impacts</u></b>					
<i>Fund Balance Moved to Committed</i>	14,914,824				
<i>CARES Act Funding</i>	(14,000)				
<i>CNRC</i>	(553,000)	(553,000)	(553,000)	(855,000)	(513,000)
<i>Children &amp; Youth</i>	???	???	???	???	???
<i>County Allocation for Projects</i>	(6,000,000)	(5,000,000)	(5,000,000)		
<b>Unassigned Fund Balance</b>	<b>28,467,296</b>	<b>17,668,490</b>	<b>3,732,208</b>	<b>(16,715,452)</b>	<b>(37,395,604)</b>
<b>Days of Unassigned Fund Balance</b>	<b>98</b>	<b>61</b>	<b>13</b>	<b>-58</b>	<b>-129</b>
<b>Gap between Revenue and Expense</b>	<b>-6,633,629</b>	<b>-10,798,806</b>	<b>-13,936,282</b>	<b>-20,447,660</b>	<b>-20,680,152</b>
<b>Adjustment Required to Maintain 100 days</b>		<b>19.5%</b>	<b>3.3%</b>	<b>8.5%</b>	<b>0.0%</b>



# General Fund Projections



# General Fund Actuals and Projections





# Unassigned Fund Balance Projections

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b>Current Assumptions</b>					
1	28,467,296	0% 17,668,490	0% 3,732,208	0% -16,715,452	0% -37,395,604
<b>Changes</b>					
2	28,467,296	20% 29,339,000	2.5% 29,026,000	9% 29,060,000	0% 29,169,000
3	28,467,296	10% 23,504,000	10% 22,006,000	15% 25,094,000	0% 28,303,000
4	28,467,296	15% 26,422,000	10% 28,181,000	10% 31,269,000	0% 34,478,000

Red Zone under 20,289,000  
 Yellow Zone between 20,289,000 and 28,984,000  
 Green Zone over 28,984,000 to 43,302,000

5% change = 2,918,000

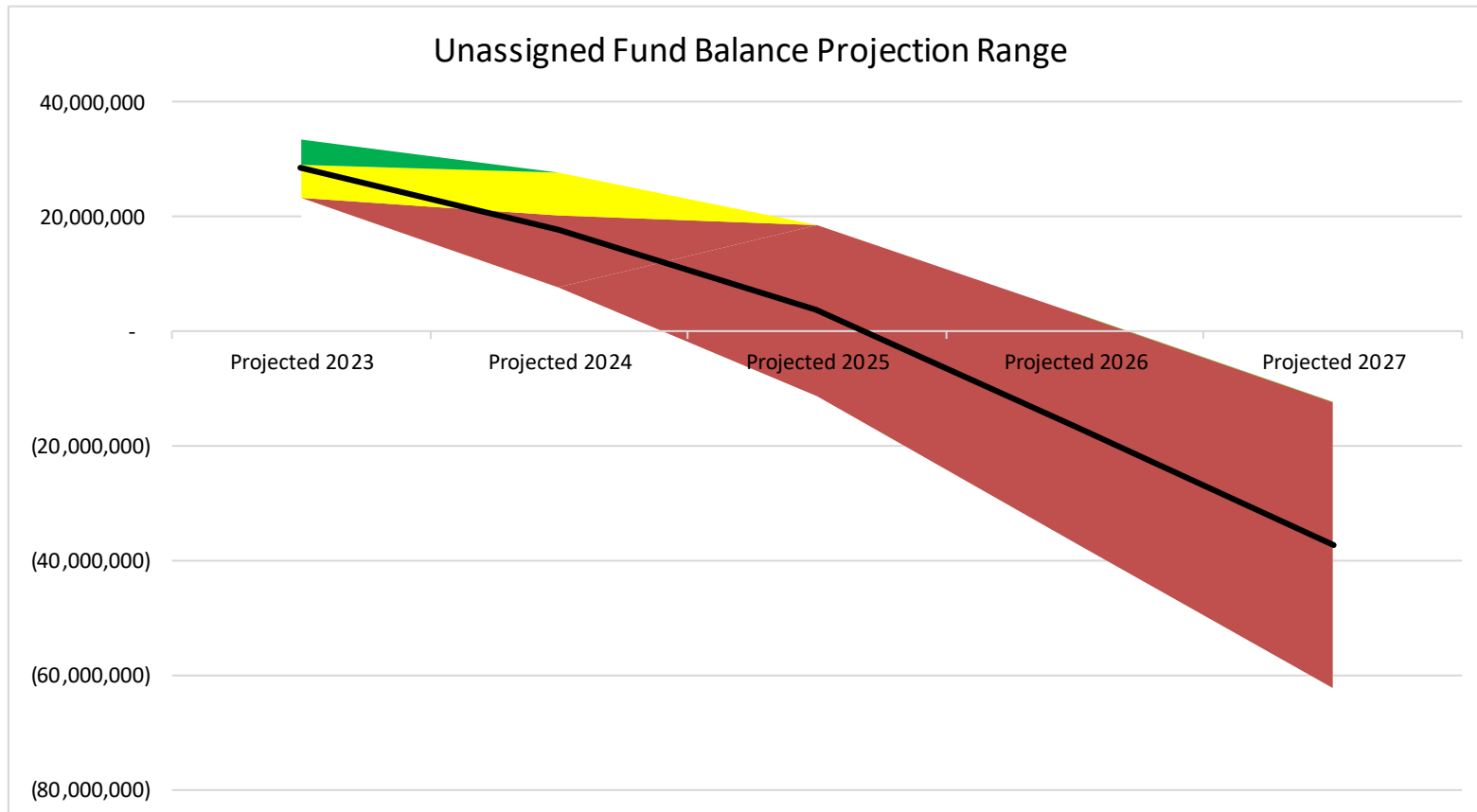
10% change = 5,836,000

15% change = 8,754,000

Change can be an on-going change in revenues and/or expenses



# Unassigned Fund Balance Projection Range



This chart shows the projection range based on a five-million-dollar on-going change in the current assumptions. Major changes may shift the projection range. The black line shows the current projections.



# General Fund Projections - Adjusted for MH and 9-1-1

	Projected 2023	Projected 2024	Projected 2025	Projected 2026	Projected 2027
<i>Real Estate Taxes</i>	57,510,343	58,382,105	59,257,583	60,146,020	61,047,784
<i>All Other Revenue</i>	30,494,590	25,068,146	25,142,391	25,283,315	25,502,649
<i>Revenue Replacement</i>	14,914,824				
<b>Total General Fund Revenue</b>	<b>102,919,757</b>	<b>83,450,251</b>	<b>84,399,974</b>	<b>85,429,335</b>	<b>86,550,433</b>
<b>Total General Fund Expenses</b>	<b>108,490,086</b>	<b>89,150,557</b>	<b>93,044,103</b>	<b>100,383,095</b>	<b>101,525,385</b>
<i>Salary</i>	36,781,818	37,888,817	39,029,138	40,204,697	41,417,647
<i>Benefit</i>	14,052,764	14,448,141	14,953,921	15,572,625	16,033,499
<i>Operating</i>	27,337,605	24,738,969	25,111,807	25,486,260	25,849,902
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<i>Transfers / Debt</i>	2,819,621	3,045,191	3,808,011	3,808,011	3,811,819
<b><u>Additional Impacts</u></b>					
<i>Fund Balance Moved to Committed</i>	14,914,824				
<i>CARES Act Funding</i>	(14,000)				
<i>CNRC</i>	(553,000)	(553,000)	(553,000)	(855,000)	(513,000)
<i>Children &amp; Youth</i>	???	???	???	???	???
<i>County Allocation for Projects</i>	(6,000,000)	(5,000,000)	(5,000,000)		
<i>MH.IDD and 9-1-1 subsidy</i>	(1,063,300)	(5,098,500)	(5,292,153)	(5,493,900)	(5,705,200)
<b>Unassigned Fund Balance</b>	<b>29,530,596</b>	<b>23,830,290</b>	<b>15,186,161</b>	<b>232,401</b>	<b>(14,742,551)</b>
<i>Days of Unassigned Fund Balance</i>	102	82	52	1	-51
<b>Gap between Revenue and Expense</b>	<b>-5,570,329</b>	<b>-5,700,306</b>	<b>-8,644,129</b>	<b>-14,953,760</b>	<b>-14,974,952</b>
<i>Adjustment Required to Maintain 100 days</i>	0.0%	9.0%	5.0%	9.2%	0.0%

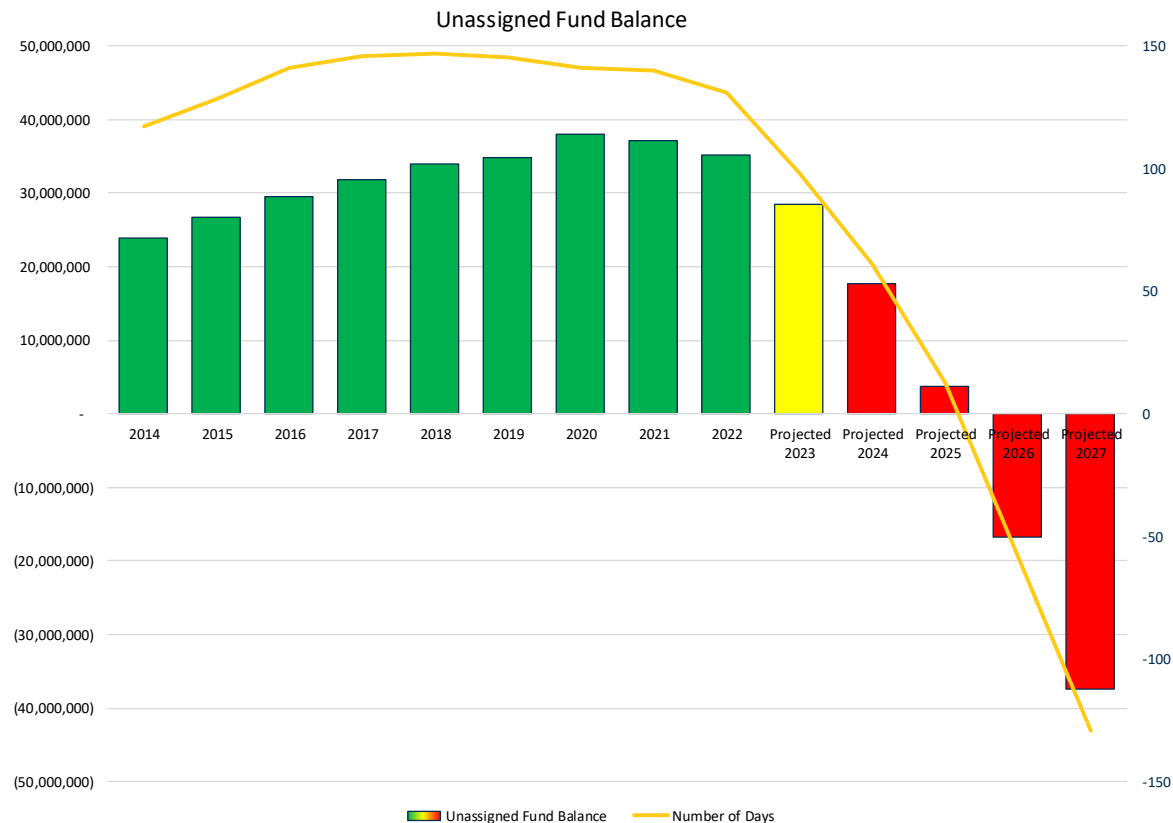


# Unassigned Fund Balance Changes

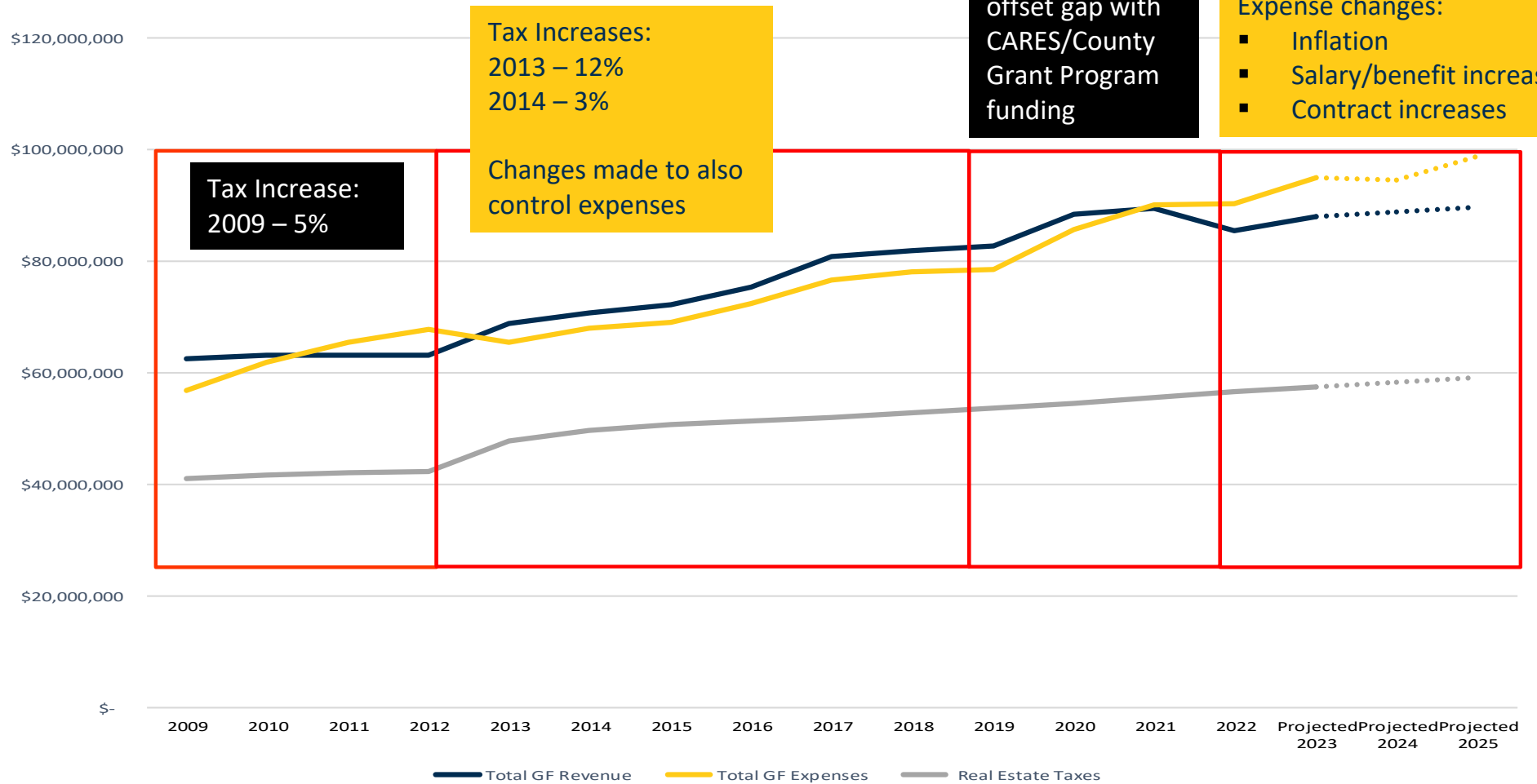


# Unassigned Fund Balance

- Unassigned Fund balance is beginning to decrease.
- Between 2014-2020, unassigned fund balance was on an upward trend.
- In 2020, expenses temporarily decreased and temporary funding increased otherwise unassigned fund balance would have decreased.
- In 2021, unassigned fund balance decreased by \$873,747.
- In 2022, unassigned fund balance decreased by \$2 million. It would have been an additional \$1.6 million however we used County Grant Program monies to subsidy MH.IDD.
- Days of unassigned fund balance is projected to continue declining without a change in revenues and/or expenses.



# Revenue vs Expenses



The natural growth in real estate tax revenue, the primary general fund revenue source, remains steady at approximately one-and-a-half percent. If expenses keep pace with inflation, the natural gap between revenue and expenses may grow.

In 2021 and 2022, revenue and expenses for ERAP and CHIRP were removed because they were pass-through monies.



# Grants

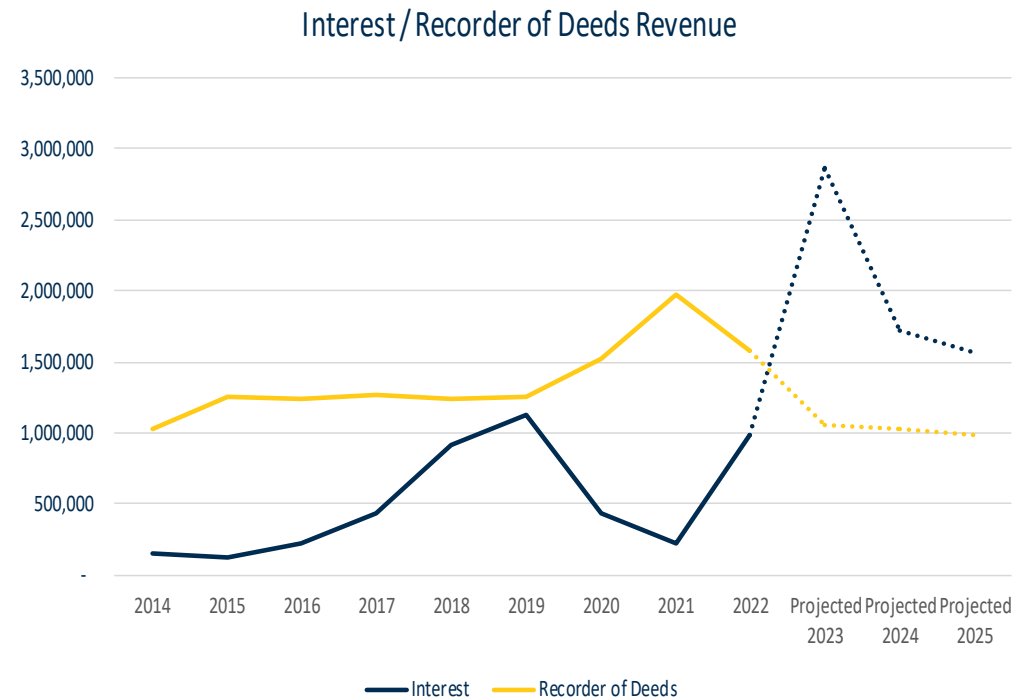
The following expenses had/will have an impact on unassigned fund balance.

- Voting Machine Grants \$2.6 million from state in 2020
  - Prior expectation was Voting Machines would be 100% county expense (net expense to the county was \$1.5 million)
  - One-time grant
  - Increased fund balance in 2020
- Election's Grants \$1.1 million
  - Expenses will be funded by the general fund if grant funding is no longer available
- CARES Act
  - One-time money
  - Offset fund balance in 2020
- Allocation towards county programs/projects (\$16 million that affect unassigned fund balance)



# Interest / Recorder of Deeds Revenue

- As interest rates increase, our interest revenue increases, and our Recorder of Deeds revenue typically decreases
- Interest Revenue has increased and is having a material impact to unassigned fund balance
  - \$2 to \$3.5 million expected interest revenue
  - 2024 interest revenue is projected to decrease due to anticipated lower cash balance
    - Lower unassigned fund balance
    - Spending of County Grant Program

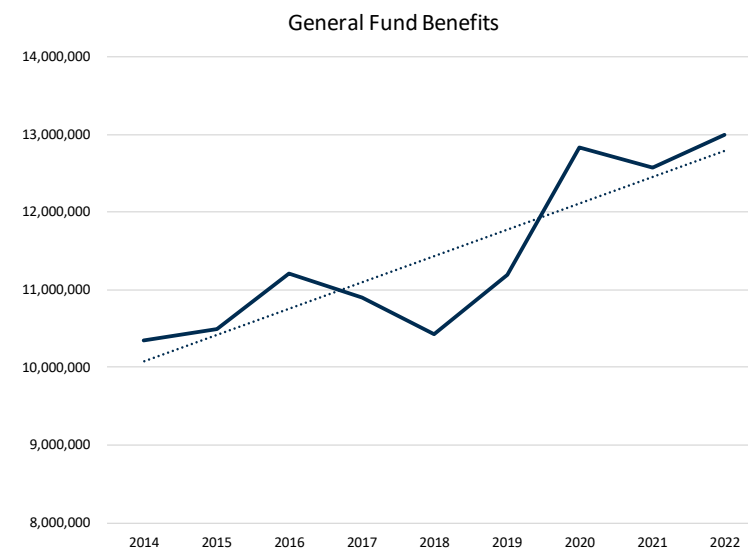
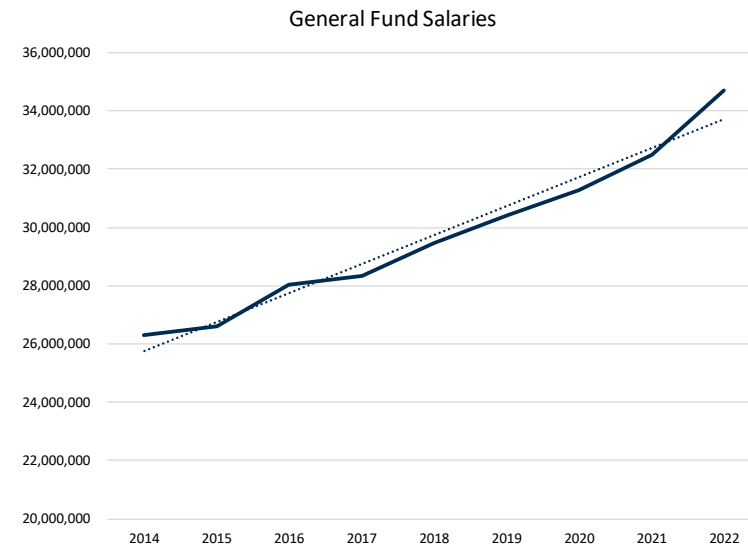




# Salaries and Benefits

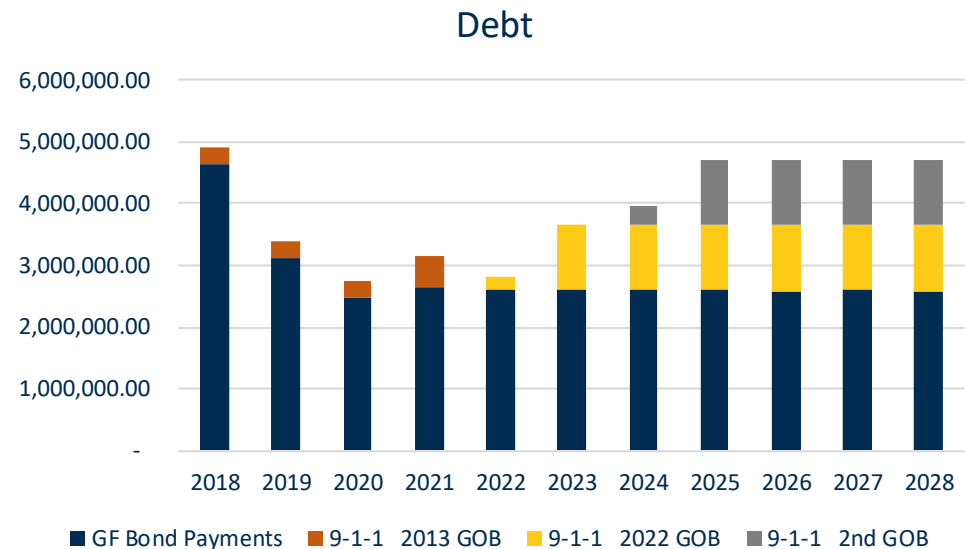
Changes that have occurred and have an on-going impact to unassigned fund balance

- Reorganizations prior to 2022
- Union/Association Contracts
- Additional 15 full-time positions since 1/1/22
- Not included in the projections
  - Evergreen Compensation Study
  - Retirement Market Conditions



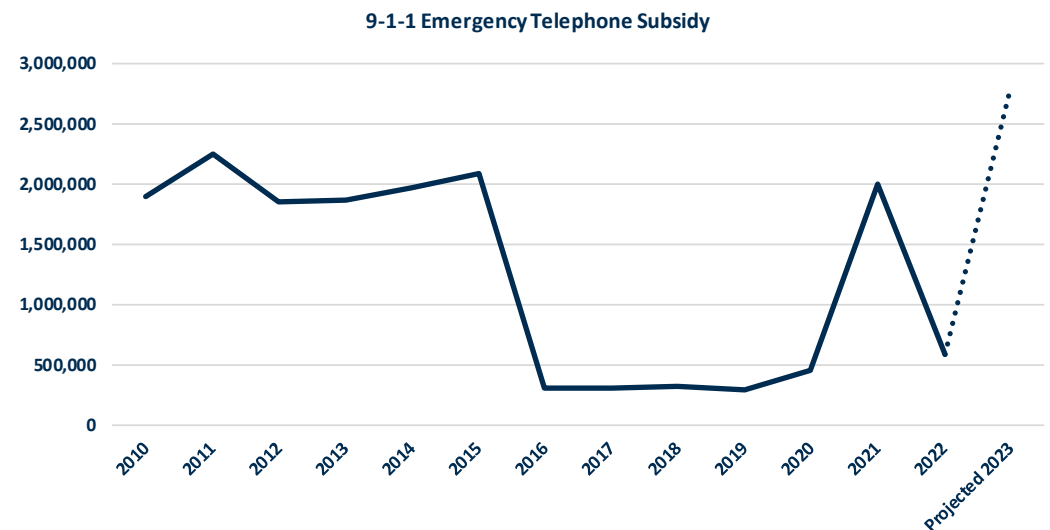
# Debt

- General fund debt decreased in 2019
- Currently, 9-1-1 debt (Project P25 radio project) will be subsidized by the general fund
- 2022 bond (\$14.4 million) first principal and interest payment in 2023
- Second bond issue expected in 2024 (\$15 million) with first principal payment in 2025
- Hornbaker principal payment was removed from chart due to no impact to unassigned fund balance



# 9-1-1 Emergency Telephone

- 9-1-1 Uniform Funding
  - In 2016, began covering all the eligible costs (\$1.8 million decrease in subsidy from 2015 to 2016)
  - Beginning to shift and no longer covering all eligible costs
  - Proposed legislature to increase 9-1-1 surcharge to customers from \$1.65 to \$2.03. This could increase unassigned fund balance due to a decrease in subsidy.
- The Project P25 radio and infrastructure project was delayed
  - 2022 bond (\$14.4 million) first principal and interest payment in 2023.
  - The second bond (\$15 million) interest payment will be in 2024 with principal payments beginning in 2025.

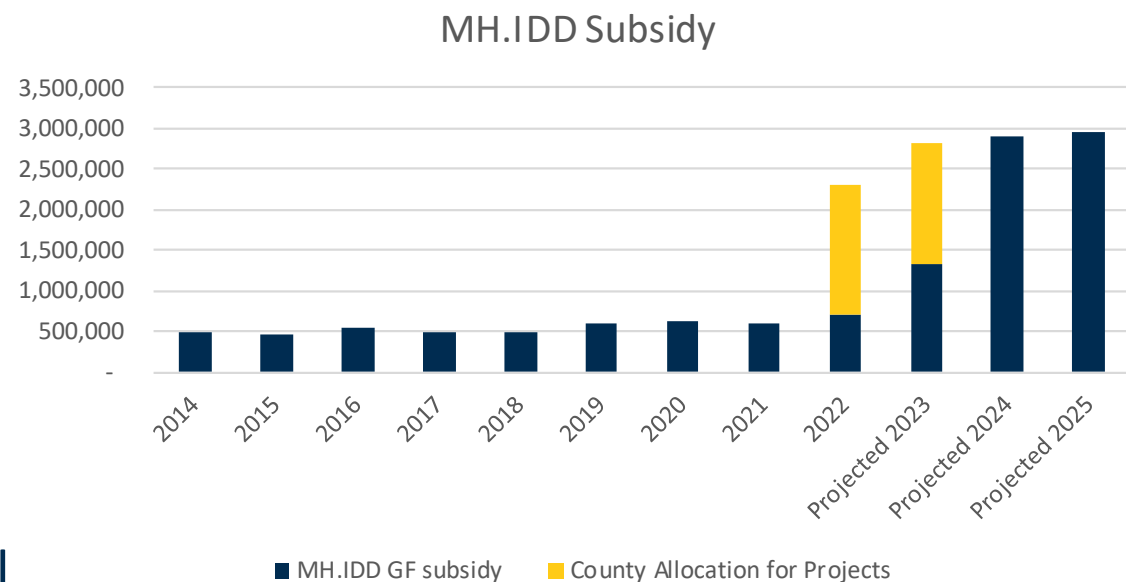


2021 spike is tower costs incurred before the bond issuance



# Mental Health (MH) Subsidy

- MH's increase in subsidy is specifically related to the flat funding from the Department of Human Services (DHS). Costs for service delivery have increased as have the numbers of citizens receiving services.
- Without increases to county or state funding, MH services will be affected
- County Grant Program will cover \$3.1 million of MH subsidy increase on the general fund side in 2022 and 2023
  - \$1.6 million in 2022
  - \$1.5 million in 2023



\*This is based on the calendar year



# Changing Expenses

The following expenses are having an impact on unassigned fund balance.

- Inflation currently high
- Prison Medical Management contract increase \$860,300
- Increasing professional service costs (courts legal service/complex cases)
- Capital projects- increasing vendor costs
- Technology
  - Infor CloudSuite Upgrade
  - Keeping technology hardware/software current
  - Nationwide trend with vendors towards cloud suite versus on-premise
  - Yearly license subscription costs versus one-time
  - Large life-cycle replacement is expected in 2025
- District Attorney's Firearms Laboratory
  - \$1.5 million grant
  - Average \$250,000/year on-going costs (worst case scenario)
  - Potential Revenue



# Unassigned Fund Balance Recap

- Unassigned fund balance did not decrease in prior years as projected due to:
  - One-time revenue/expenses
    - Voting Machine grant, CARES Act, ARPA, etc.
    - Timing of Project P25 radio project and debt issuance
    - MH subsidy increase covered by County Grant Program in 2022 and 2023
  - On-going changes
    - Uniform funding covering all eligible costs in prior years. Beginning to shift and no longer covering all expenses.
    - Historically low inflation and interest rates
    - Full impact of additional positions and upgrades not felt until 2022



# Presentation Summary

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  - Labor Shortage
  - Supply Shortage



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**Vincent T. DiFilippo**

Chief Operations Officer/Chief Clerk:

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\* Presentation is available at [www.cumberlandcountypa.gov/finance](http://www.cumberlandcountypa.gov/finance)

