Cumberland County's

2019

Financial Condition

Updated August 2020
Next Update August 2021

INDICATOR 1

Revenues per Capita

Warning Trend:

Decreasing net operating revenues per capita
(constant dollars)

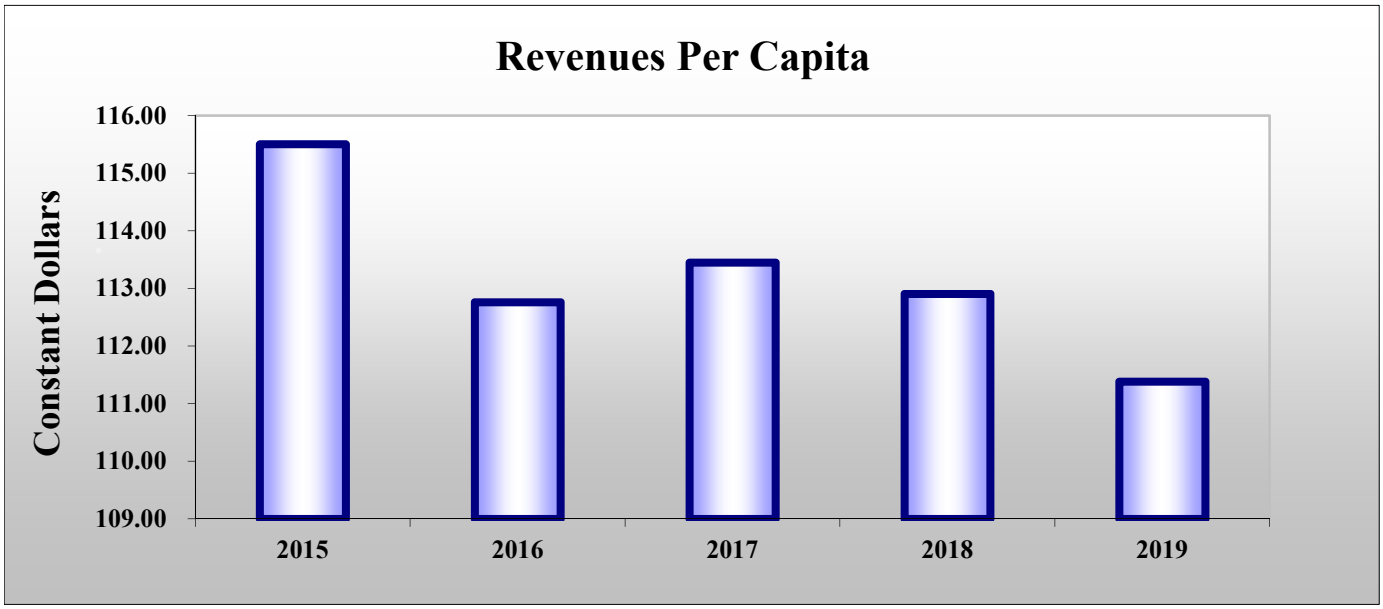
Formula:

$$\frac{\text{Net operating revenues \& transfers (constant dollars)}}{\text{Population}}$$

Fiscal year:	2015	2016	2017	2018	2019
Net operating revenues and transfers	67,439,037	67,256,717	69,542,991	71,284,287	72,152,169
Consumer price index	237.017	240.008	245.120	251.107	255.657
Net operating revenues & transfers (constant dollars)	28,453,249	28,022,756	28,370,998	28,388,013	28,222,254
Current population	246,338	248,506	250,066	251,423	253,370
Net operating revenues & transfers per capita (constant dollars)	**115.50**	**112.76**	**113.45**	**112.91**	**111.39**

Description:

Examining per capita revenues shows changes in revenues relative to changes in population size and rate of inflation. As population increases, it might be expected that revenues and the need for services would increase proportionately, and therefore that the level of per capita revenues would remain at least constant in real terms. If per capita revenues are decreasing, the government may be unable to maintain existing service levels unless it finds new revenue sources or ways to save money. This reasoning assumes that the cost of services is directly related to population size.



Indicator 1
Revenues per Capita

Explanation

The revenue trend is a slight decrease from 2015 to 2019. The last millage adjustment was in 2014 (3%). The population of Cumberland County is continuing to grow. The County continues to maintain one of the lowest tax rates for Pennsylvania counties.

INDICATOR 1A

Revenues per Source

Warning Trend:

Some revenue sources are growing faster than others

Formula:

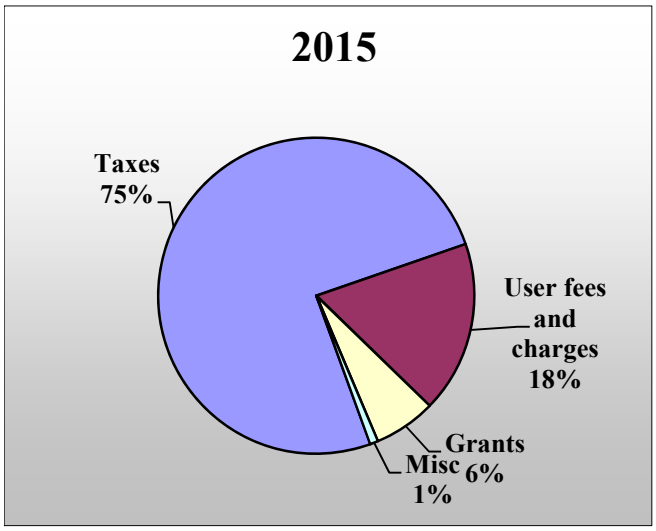
Revenue sources

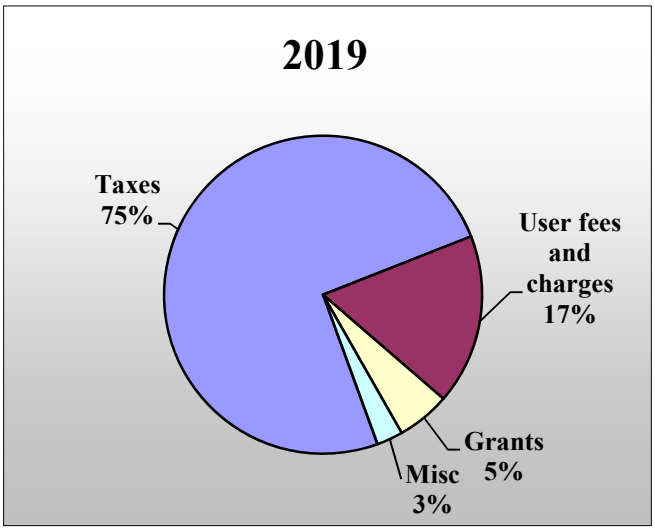
Revenue Source	2015		2016		2017	
	$	%	$	%	$	%
Taxes	50,748,374	75.26%	51,406,925	73.93%	52,143,468	74.99%
User fees and charges	11,840,400	17.56%	11,570,946	16.64%	12,499,237	17.97%
Grants	4,302,128	6.38%	3,612,064	5.19%	4,085,432	5.87%
Misc	548,135	0.80%	666,782	0.96%	814,854	1.17%
Total Revenues	67,439,037	100.00%	67,256,717	96.72%	69,542,991	100.00%

Revenue Source	2018		2019	
	$	%	$	%
Taxes	53,001,239	74.36%	53,803,221	74.57%
User fees and charges	12,927,047	18.13%	12,512,927	17.34%
Grants	3,872,297	5.43%	3,902,134	5.41%
Misc	1,483,704	2.08%	1,933,887	2.68%
Total Revenues	71,284,287	100.00%	72,152,169	100.00%

Description:

This can tell you if some revenue sources are growing faster than others, if the revenue burden is shifting from one segment of the population to another, and if the growth in the rates of some revenues have not been keeping pace with that of others. Any such changes in revenue structure should probably receive attention from policy makers.





Indicator 1A
Revenues per Source

Explanation

The revenue structure of Cumberland County has stayed relatively stable over the last five years; however the structure has shifted slightly between 2015 and 2019. Grants have decreased approximately $400,000 due to the Redevelopment Authority grants decreasing. The Library received the Keystone-Ship grant in 2015 causing grants to also decrease through 2019. Miscellaneous revenue has increased approximately $1.39 million due to increasing interest rates. See explanation for Indicator 1 for additional information.

INDICATOR 6

Property Tax Revenues

Warning Trend:

Decline in property tax revenues
(constant dollars)

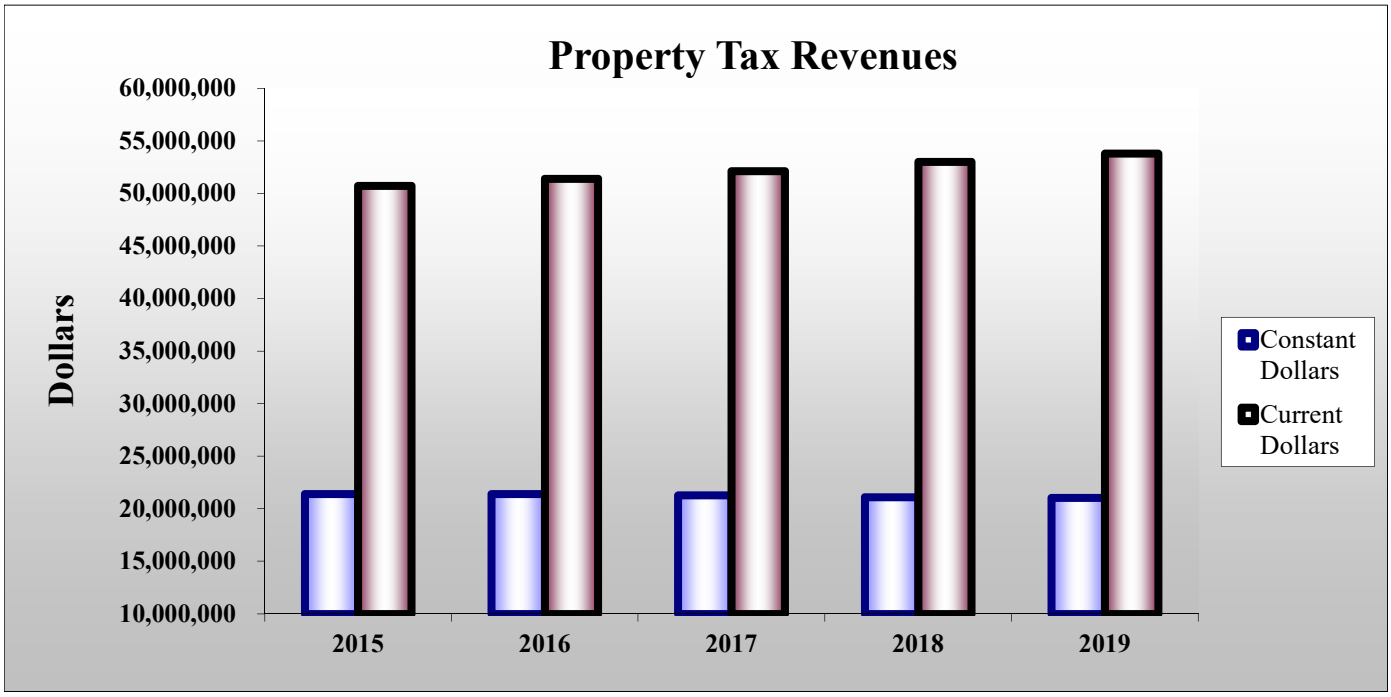
Formula:

$$\frac{\text{Property tax revenues}}{\text{(constant \& current dollars)}}$$

Fiscal year:	2015	2016	2017	2018	2019
Property Tax Revenue	50,742,477	51,406,829	52,142,137	53,000,474	53,802,121
Consumer price index	**237.017**	**240.008**	**245.120**	**251.107**	**255.657**
CPI in decimal	**2.370**	**2.400**	**2.451**	**2.511**	**2.557**
Property Tax Revenue (current dollars)	**50,742,477**	**51,406,829**	**52,142,137**	**53,000,474**	**53,802,121**
Property Tax Revenue (constant dollars)	**21,408,792**	**21,418,843**	**21,272,086**	**21,106,729**	**21,044,650**

Description:

Property tax revenue should be considered separately from other revenues because most governments rely heavily on them. A decline or a diminished growth rate in property taxes can have a number of causes. First, it may reflect an overall decline in property values. Second, it may result from unwilling default on property taxes by property owners. Third, it may result from inefficient assessment or appraisal. Finally, a decline can be caused by deliberate default by property owners, who realize that delinquency penalties are less than short-run interest rates and that nonpayment is therefore an economical way to borrow money.



Indicator 6
Property Tax Revenues

Explanation

Property tax revenue has remained constant from 2015 to 2019 because there has not been a millage increase. Natural growth and consumer price index (CPI) have been keeping pace with each other. Property tax collections have also improved reducing the receivable amount which increases current year collections.

INDICATOR 7A

Uncollected Current Levy

Warning Trend:

Increasing amount of uncollected tax levy as a percentage of total tax levy

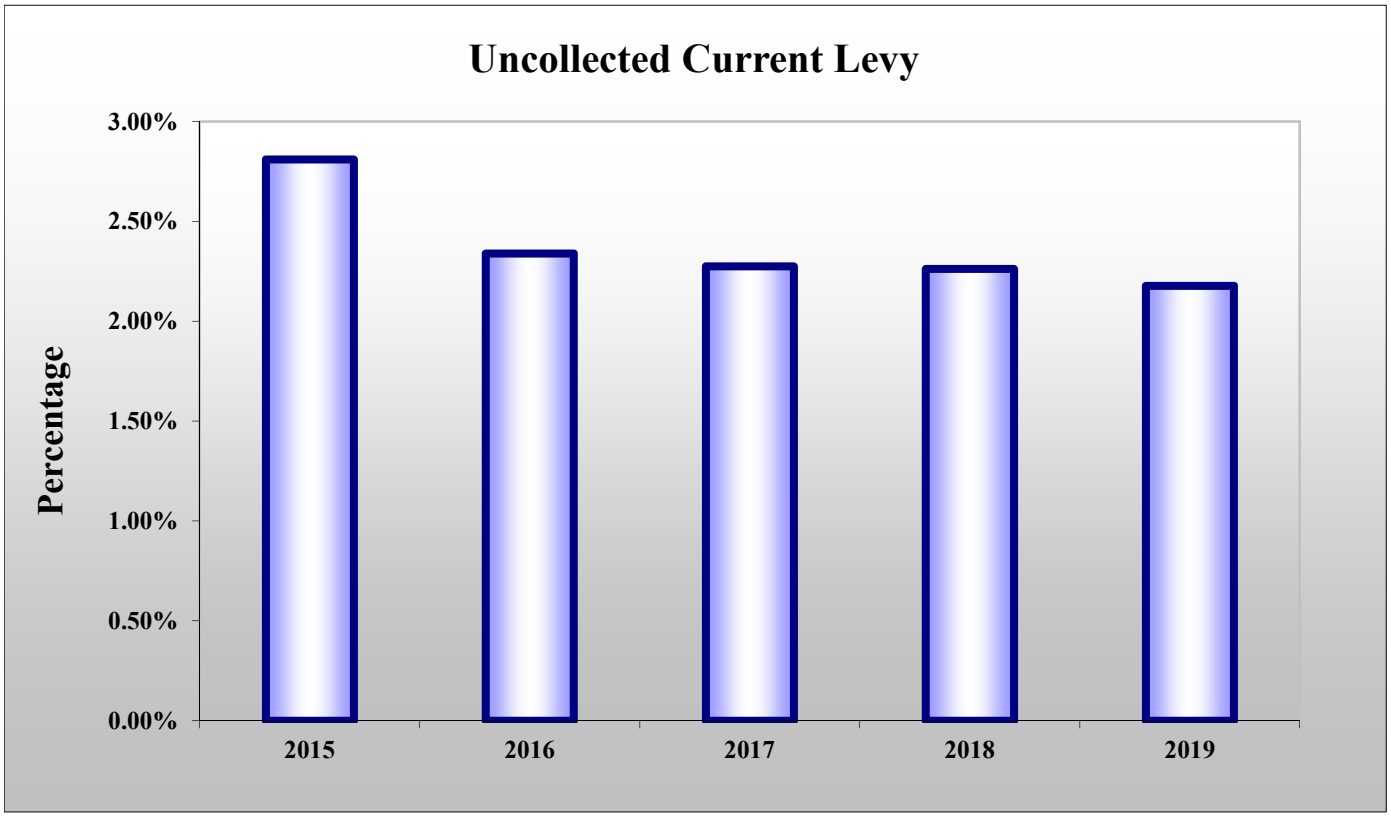
Formula:

$$\frac{\text{Uncollected current levy}}{\text{Net property tax levy}}$$

Fiscal year:	2015	2016	2017	2018	2019
Net property tax levy	50,454,280	51,198,311	51,956,631	52,838,606	53,627,315
Uncollected current levy	1,417,800	1,198,046	1,181,707	1,195,306	1,168,048
Uncollected current levy as a percentage of net property tax levy	**2.81%**	**2.34%**	**2.27%**	**2.26%**	**2.18%**

Description:

Every year, a percentage of property owners are unable to pay property taxes. If this percentage increases over time, it may indicate overall decline in the local government's economic health. Additionally, as uncollected current property taxes rise, liquidity is decreased and there is less cash on hand to pay bills or to invest.



Indicator 7A
Uncollected Current Levy

Explanation

This indicator is based on current real estate collections only. The County's uncollected taxes are within the range used by credit rating firms. They assume 2-3% of taxes are normally uncollectible within a year. The uncollectible rates from 1995-1999 were closer to 4%. Our collections have been improving over the last 20 years.

Over the past five years the uncollected levy has decreased slightly. The County is still within the 2-3% range.

INDICATOR 8

User Charge Coverage

Warning Trend:

Decreasing revenues from user charges as a percentage of total expenditures for related services

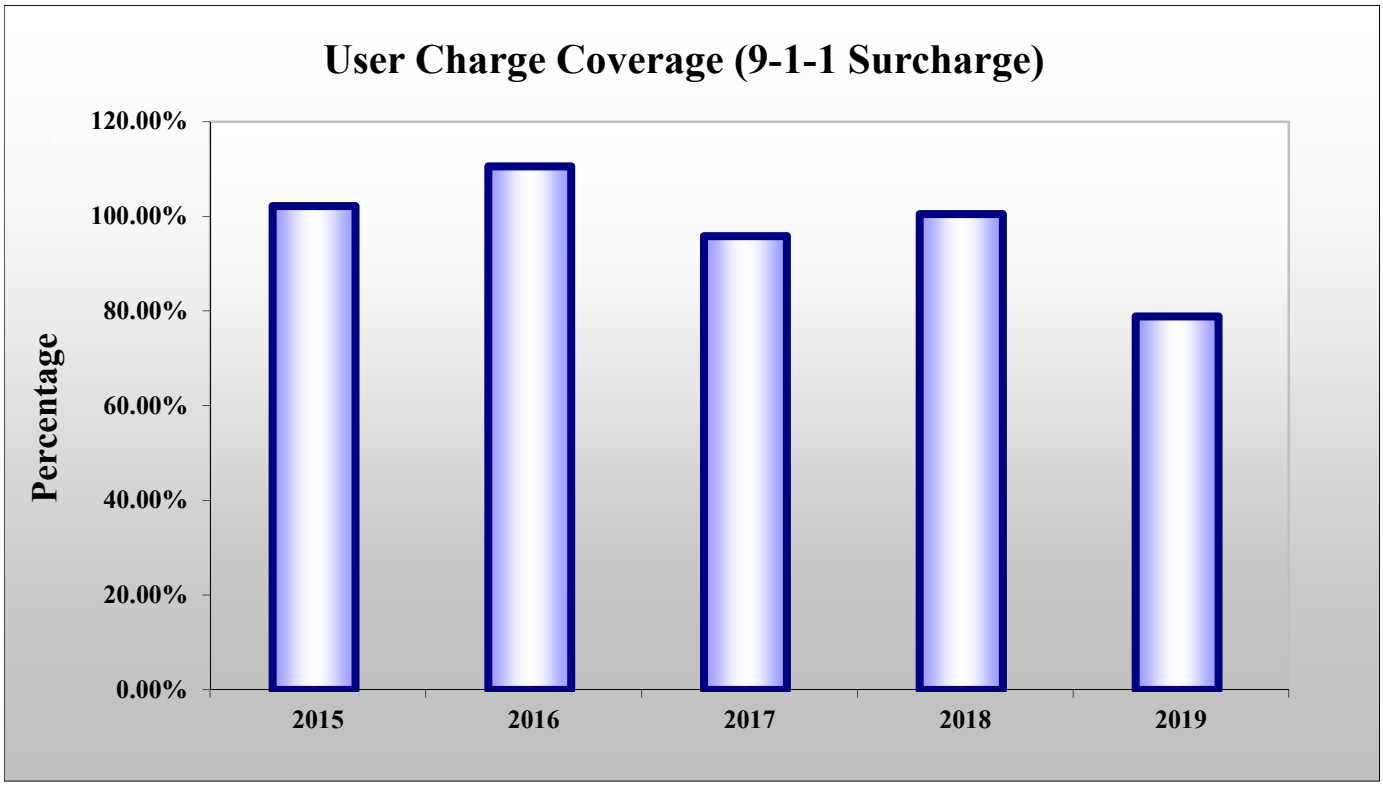
Formula:

$$\frac{\text{Revenues from user charges}}{\text{Expenditures for related services}}$$

Fiscal year:	2015	2016	2017	2018	2019
Revenues from user charges	5,716,768	5,909,137	6,108,571	5,712,210	5,744,976
Expenditures for services for which there is a fee or user charge	5,594,855	5,345,372	6,372,722	5,684,786	7,282,906
Revenues from user charges as a percentage of total expenditures for related service	**102.18%**	**110.55%**	**95.85%**	**100.48%**	**78.88%**

Description:

The term user charge coverage refers to whether fees and charges cover the entire cost of providing a service. As coverage declines, the burden on other revenues to support the services increases. Because the typical municipal accounting system does not employ cost-accounting techniques, it is easy for inflation and other factors to erode user charge coverage without being noticed.



Indicator 8
User Charge Coverage

Explanation

Revenue increased significantly in 2015 due to an increase in 9-1-1 uniform funding. Revenue has remained relatively constant since 2015. In 2017, funding increased about $300,000 due to the distribution the County received from PEMA.

Intergovernment revenue has been decreasing due to counties no longer using our 9-1-1 center to answer calls. In 2018, there were no counties using our center.

Charges for indirect costs started in 2017 which increased expenses about $460,000 per year. Capital decreased $230,000 in 2016 due to the completion of the xCAD project in 2015. Capital increased $783,000 in 2017 due to the VESTA phone system project. Capital increased $1.2 million in 2019 due to the CAD project. $90,000 was transferred to the Radio Project fund for consulting services and tower structural analysis.

INDICATOR 9

9-1-1 Revenue Shortfall

Warning Trend:

Increase in revenue shortfalls as a percentage of actual net operating revenues

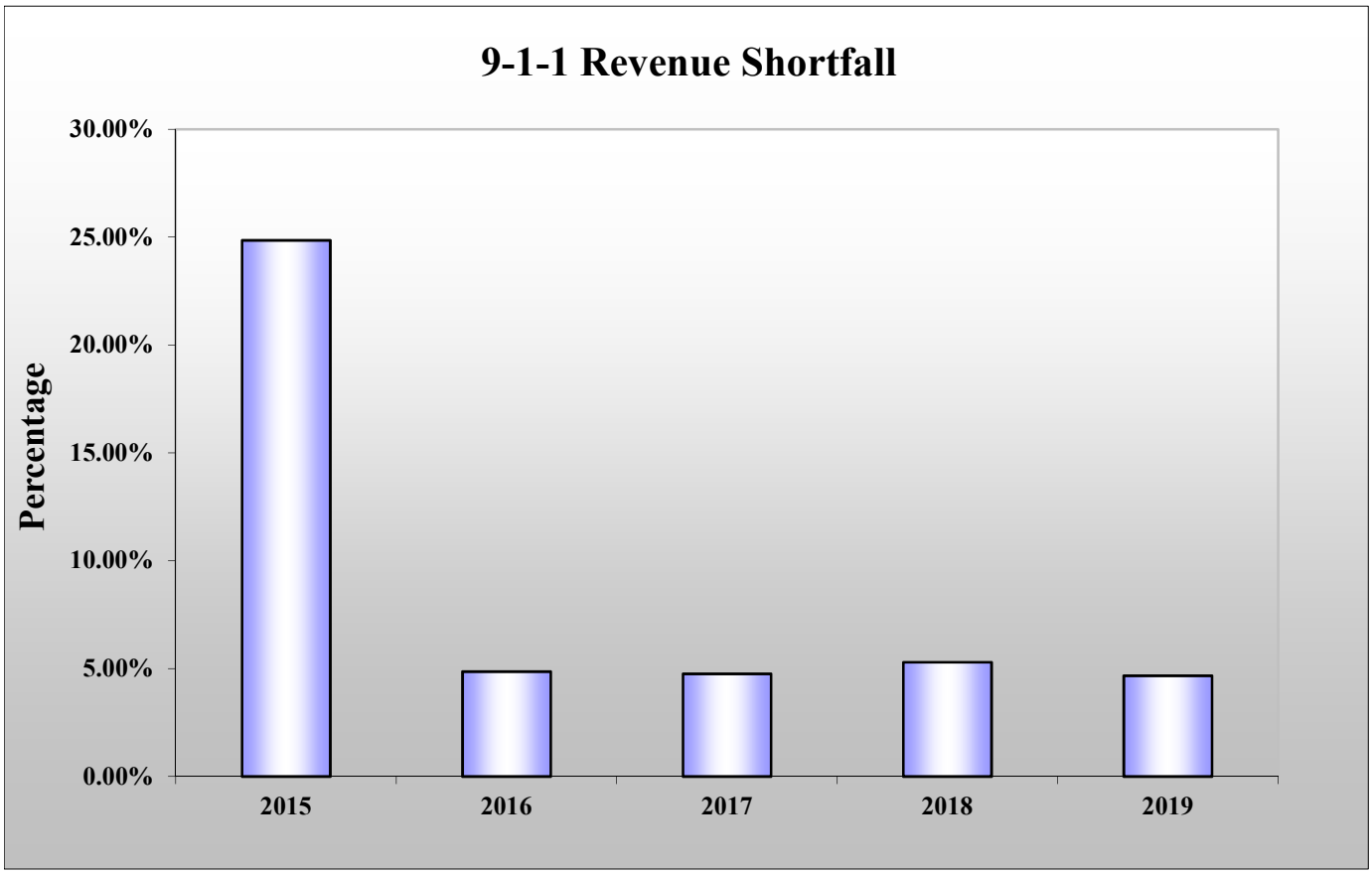
Formula:

$$\frac{\text{Shortfall (Subsidy)}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Subsidy (Revenue Shortfall)	**2,082,348**	**303,527**	**306,142**	**320,681**	**293,340**
Net Operating Revenue	**8,377,542**	**6,241,085**	**6,430,263**	**6,055,515**	**6,276,685**
Revenue shortfalls as a percentage of net operating revenue	**24.86%**	**4.86%**	**4.76%**	**5.30%**	**4.67%**
Consumer price index	237.0	240.0	245.1	251.1	255.7
CPI in decimal	2.370	2.400	2.451	2.511	2.557
Subsidy (constant dollar)	**878,565**	**126,466**	**124,895**	**127,707**	**114,740**

Description:

This indicator examines the relationship between revenue surplus/deficit and net operating revenue. Major discrepancies that continue year after year can indicate a declining economy or inefficient collection procedures.



Indicator 9
9-1-1 Revenue Shortfalls

Explanation

9-1-1 revenue shortfall (subsidy) decreased in 2016 – 2019 because there was an increase in funding from the 9-1-1 uniform funding. The uniform funding formula was renewed for another four years in 2018.

This trend could change in the future. The state is discussing changes to the distribution formula. If approved, that change will negatively impact the County funding.

INDICATOR 9

CNRC Surplus / Deficit

Warning Trend:

Increase in revenue surplus/deficit as a percentage of actual net operating revenues

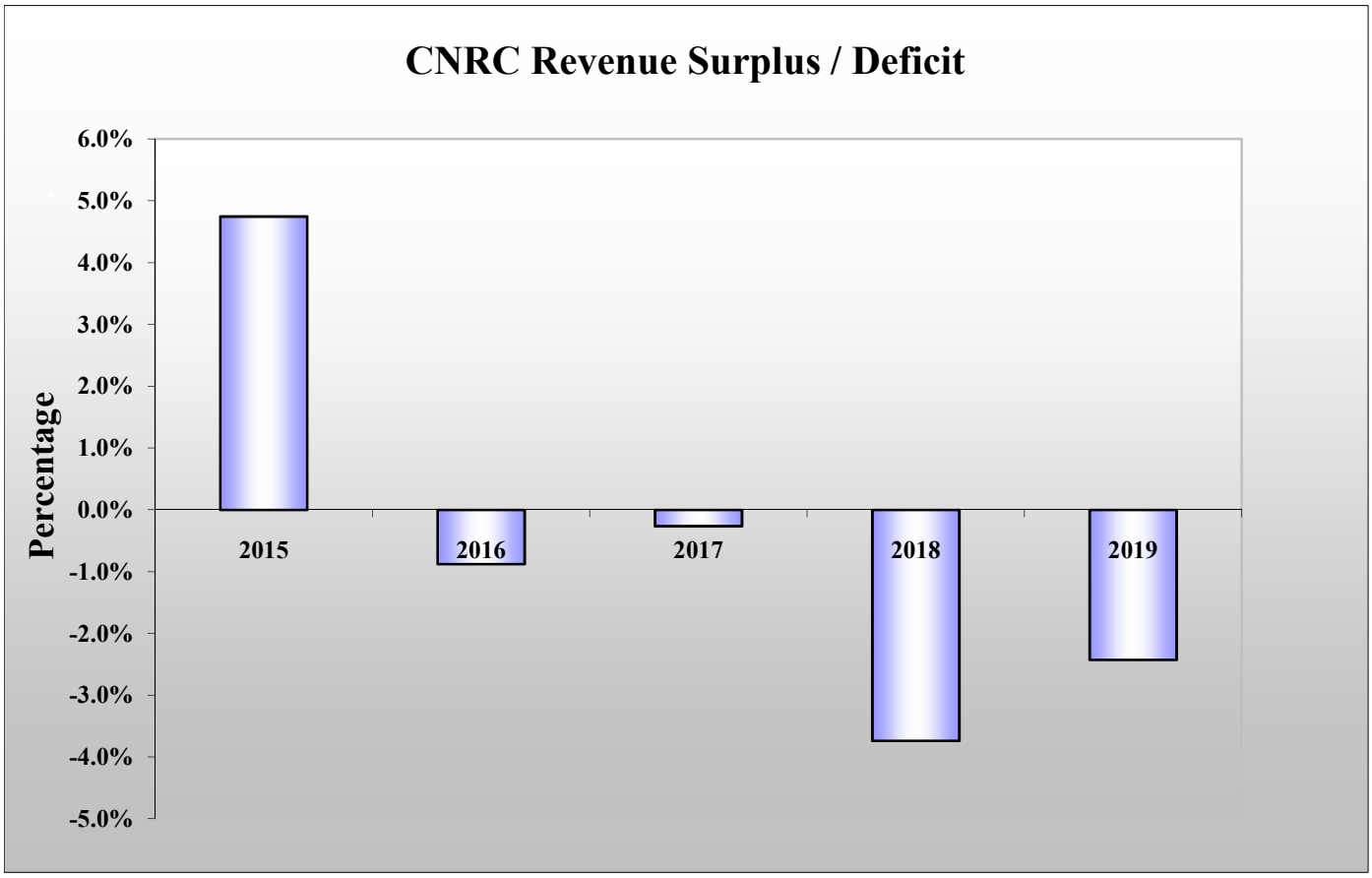
Formula:

$$\frac{\text{Surplus / Deficit}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Revenue surplus / deficit	**1,239,144**	**(238,017)**	**(73,585)**	**(1,053,823)**	**(672,458)**
Net operating revenue	**26,097,464**	**27,104,747**	**27,910,789**	**28,208,847**	**27,703,807**
Revenue shortfalls as a percentage of net operating revenue	**4.75%**	**-0.88%**	**-0.26%**	**-3.74%**	**-2.43%**
Consumer price index	237.0	240.0	245.1	251.1	255.7
CPI in decimal	2.37017	2.400075	2.4512	2.51107	2.55657
Revenue surplus/deficit (constant dollar)	**522,808**	**(99,171)**	**(30,020)**	**(419,671)**	**(263,031)**
Net Operating Revenue (constant dollar)	**11,010,798**	**11,293,292**	**11,386,582**	**11,233,796**	**10,836,319**

Description:

This indicator examines relationship between revenue surplus/deficit and net operating revenue. Major discrepancies that continue year after year can indicate a declining economy or inefficient collection procedures.



Indicator 9
CNRC Surplus/Deficit

Explanation

The history of CNRC shows a stable facility. The County needs to continue to analyze the home so that they can continue to provide quality care without requiring a General Fund Subsidy.

CNRC has many stressors coming in the near future. The major funding source, Medicaid, changed to Managed Care on January 1, 2020. In the short-term rehab, pressures are being put on facilities to decrease the length of stay. More patients are being released from the hospital to their home to avoid staying in short-term rehab. Short-term rehab is a more costly form of care; however, there is more quality of care. In addition, the nursing home regulations are changing dramatically causing major pressures.

In 2020, COVID-19 will have a major impact on CNRC. Currently, the federal government is providing necessary funding to help with the additional costs and loss of revenue as a direct result of COVID.

INDICATOR 9

Children & Youth Revenue Shortfall

Warning Trend:

Increase in revenue shortfalls as a percentage of actual net operating revenues

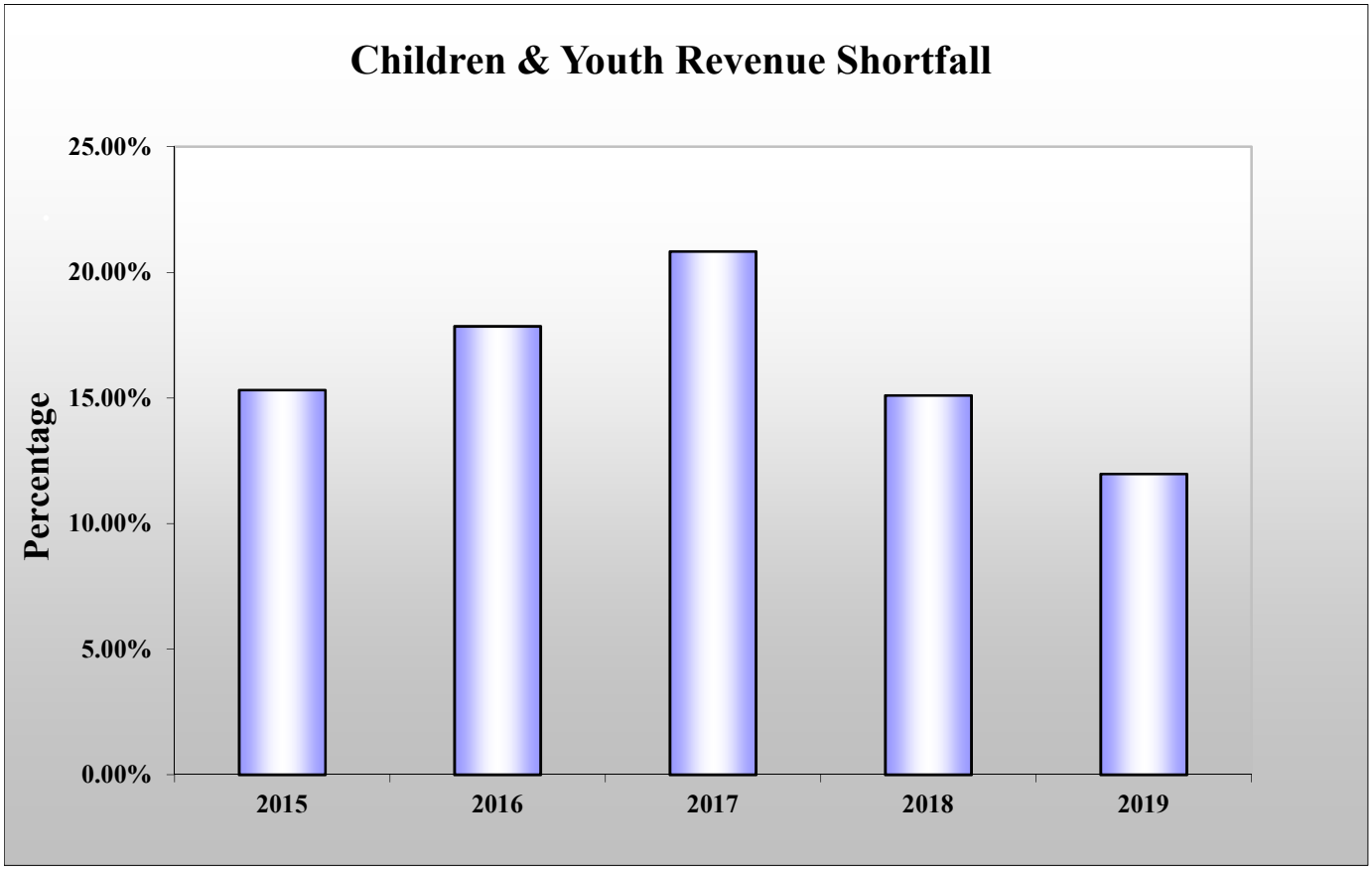
Formula:

$$\frac{\text{Shortfall (Subsidy)}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Subsidy (Revenue Shortfall)	2,610,493	3,245,607	4,071,553	3,169,240	2,670,965
Net Operating Revenue	17,043,067	18,175,927	19,540,049	20,977,415	22,301,879
Revenue shortfalls as a percentage of net operating revenue	15.32%	17.86%	20.84%	15.11%	11.98%

Description:

This indicator examines the relationship between revenue surplus/deficit and net operating revenue. Major discrepancies that continue year after year can indicate a declining economy or inefficient collection procedures.



Indicator 9
Children & Youth Revenue Shortfall

Explanation

Children & Youth is always a high risk area of the County because it is a mandated service. Expenses have increased in Children & Youth because of the Sandusky legislation. The opioid epidemic has also increased expenses in Children & Youth due to placements increasing from families affected by the epidemic. Funding uncertainties currently exist in Children & Youth. This area needs to be watched on a continuous basis.

Subsidy increased from 2015 to 2017. The lower subsidy in 2018 is due to the over match we received because of the over match ($1,128,000) required in 2017. Subsidy was also lower in 2019 due to the over match we received because of the over match ($963,000) required in 2018.

INDICATOR 10

Expenditures per Capita

Warning Trend:

Increasing net operating expenditures per capita
(constant dollars)

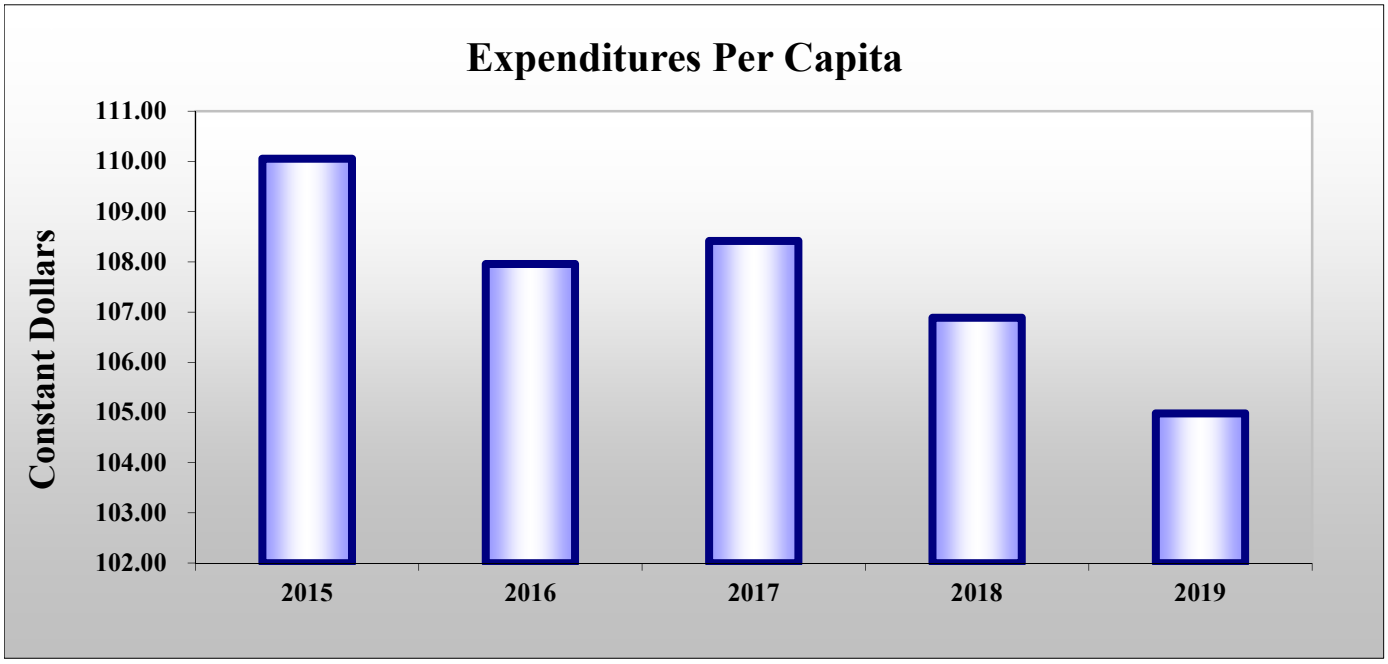
Formula:

$$\frac{\text{Net operating expenditures \& transfers (constant dollars)}}{\text{Population}}$$

Fiscal year:	2015	2016	2017	2018	2019
Net operating expenditures and transfers	64,260,485	64,390,484	66,455,571	67,482,063	68,005,881
Consumer price index	237.017	240.0075	245.12	251.107	255.657
Net operating expenditures & transfers (constant dollars)	27,112,184	26,828,530	27,111,444	26,873,828	26,600,438
Current population	246,338	248,506	250,066	251,423	253,370
Net operating expenditures & transfers per capita (constant dollars)	**110.06**	**107.96**	**108.42**	**106.89**	**104.99**

Description:

Changes in per capita expenditures reflect changes in expenditures relative to changes in population. Increasing per capita expenditures can indicate that the cost of providing services is outstripping the community's ability to pay, especially if spending is increasing faster than the residents' collective personal income. From a different perspective, if the increase in spending is greater than can be accounted for by inflation or the addition of new services, it may indicate declining productivity -- that is, that the government is spending more real dollars to support the same level of services.



Indicator 10
Expenditures per Capita

Explanation

The County's expense drivers since 2015 are:

- Expenditures increased slightly in 2015 because Gallagher was implemented which increased salaries. Salaries have continued to increase due to the Merit Based Compensation formula.
- Uniform funding for 9-1-1 increased each year, starting in 2015, which decreased the burden on the General Fund subsidy.
- Voice over Internet Protocol (VoIP) was purchased in 2017 which increased expenses by approximately $1.2 million.
- Kronos was purchased in 2017 causing a slight increase in expenses.
- In 2018, the County switched to self-insured for medical.
- 2019 medical rates increased in January, October, and December. Overall, medical rates have increased since 2014. Vision and dental rates have also increased since 2014.
- Retirement rates have decreased since 2014.
- In 2018, preparations for the 7th Court of Common Pleas Judge began with the purchase of the Ritner building.

INDICATOR 11

Employees per Capita

Warning Trend:

Increasing number of county employees per capita

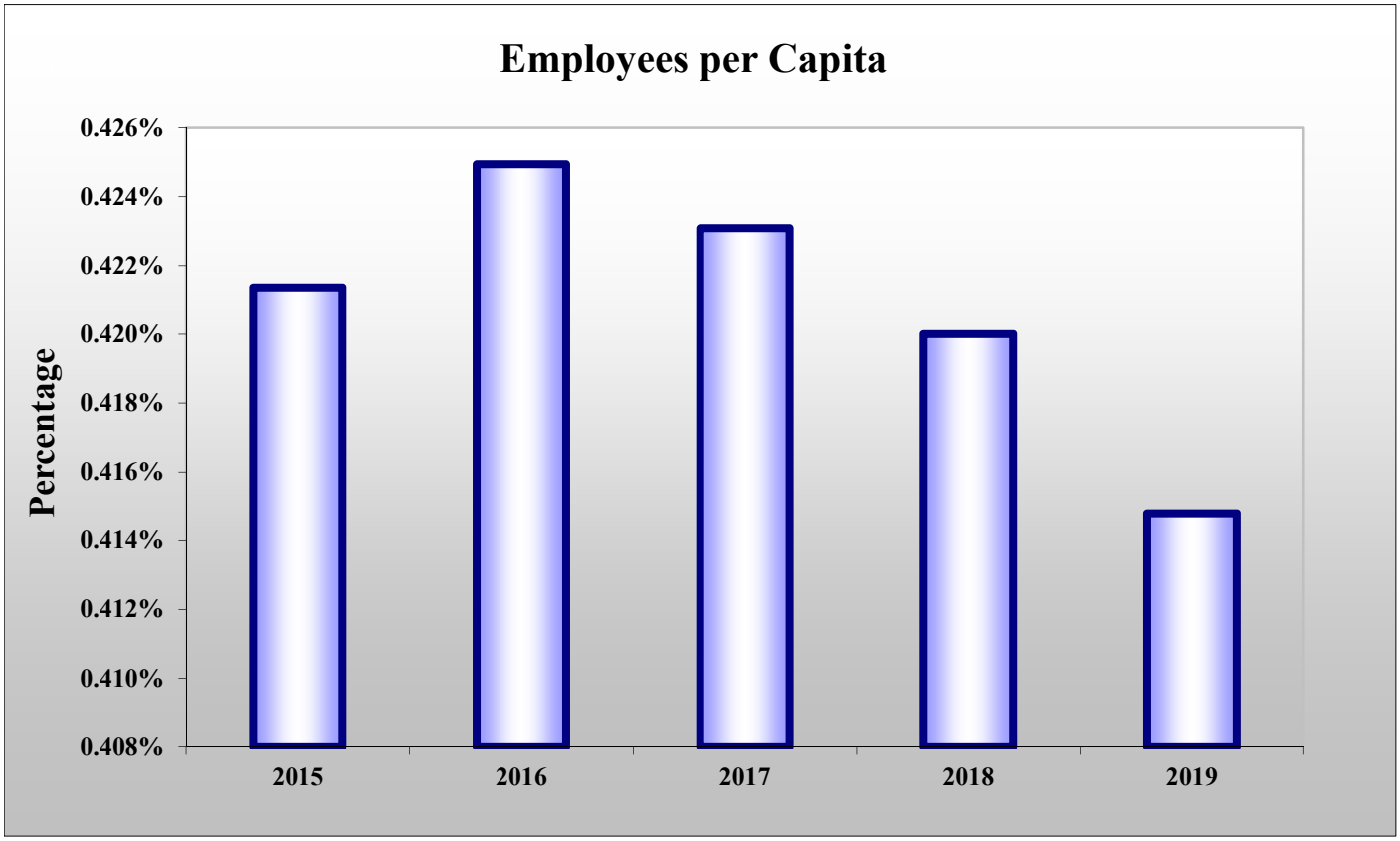
Formula:

$$\frac{\text{Number of county employees}}{\text{Population}}$$

Fiscal year:	2015	2016	2017	2018	2019
Number of county employees	1,038	1,056	1,058	1,056	1,051
Population	246,338	248,506	250,066	251,423	253,370
Number of county employees per capita	**0.421%**	**0.425%**	**0.423%**	**0.420%**	**0.415%**

Description:

Personnel costs are a major portion of a local government's operating budget, plotting changes in the number of employees per capita is a good way to measure changes in expenditures. An increase in employees per capita might indicate that expenditures are rising faster than revenues, that the government is becoming more labor intensive or that personnel productivity is declining.



Indicator 11
Employees per Capita

Explanation

The County has been taking steps over the past few years to decrease staff when it can be done without hindering required services. The County takes great measures to manage the size of the workforce at the appropriate levels to keep the right balance between service, efficiency, and cost.

INDICATOR 13

Fringe Benefits

Warning Trend:

Increasing fringe benefit expenditures as a percentage of salaries and wages

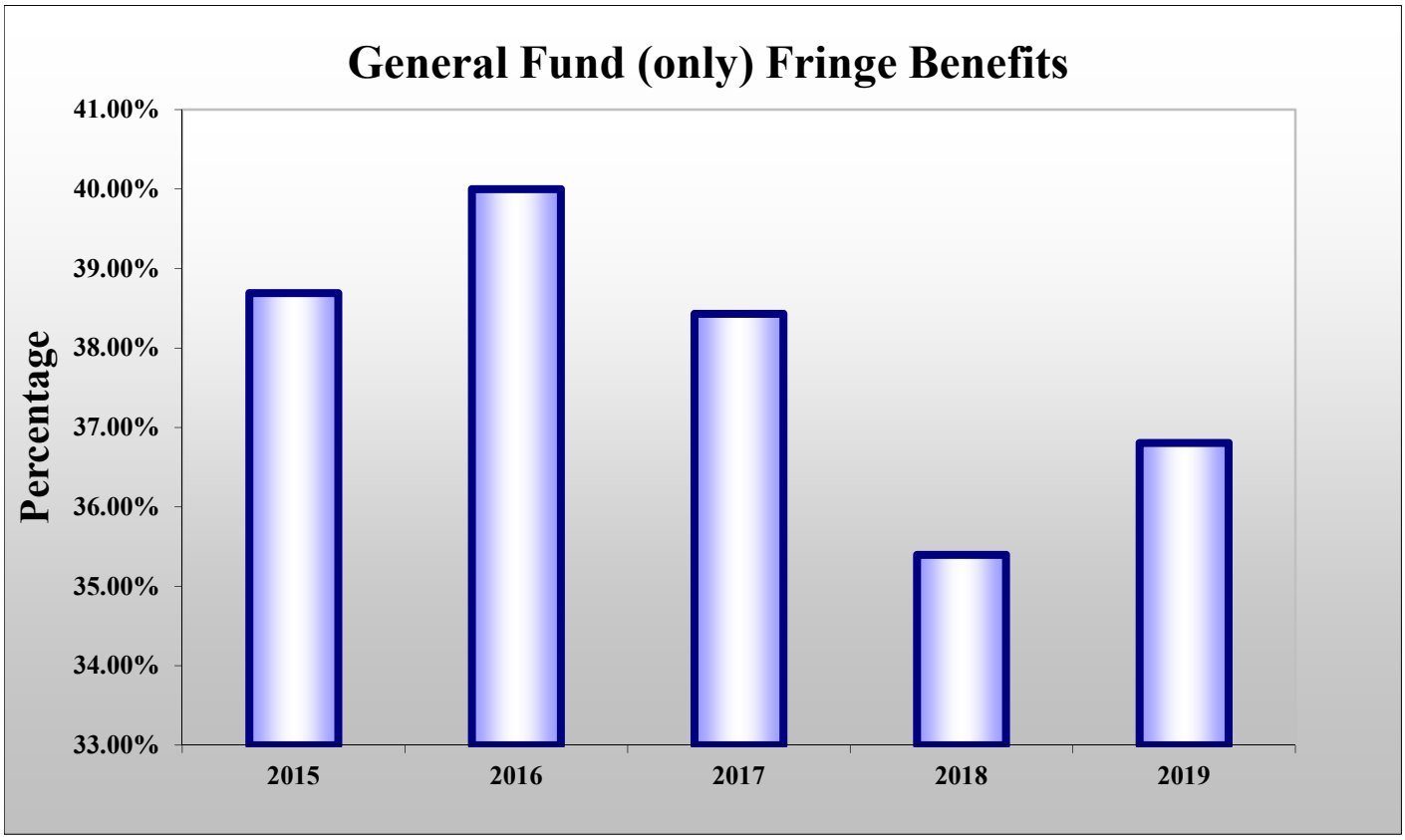
Formula:

$$\frac{\text{General Fund (only) Fringe benefit expenditures}}{\text{General Fund (only) Salaries and wages}}$$

Fiscal year:	2015	2016	2017	2018	2019
General Fund (only) Fringe benefit expenditures	10,301,794	11,212,037	10,895,391	10,434,713	11,186,617
General Fund (only) Salaries and wages	26,624,943	28,029,245	28,350,239	29,477,912	30,392,900
General Fund (only) Fringe benefit expenditures as a percentage of salaries and wages	**38.69%**	**40.00%**	**38.43%**	**35.40%**	**36.81%**

Description:

The most common forms of fringe benefits are pension plans, health, dental, vision and life insurance, vacation, deferred compensation, and disability insurance. Benefits represent a significant share of operating costs, often amounting to more than 30 percent of employee compensation.



Indicator 13
Fringe Benefits

Explanation

Fringe benefits increased from 2014 to 2016. In 2016, there was an increase because medical rates and retirement increased. In 2017, there was a decrease because medical rates, retirement, and short-term disability decreased. In 2018, retirement rates decreased. In 2018, the County moved to self-insurance for medical. In 2019, retirement and medical rates increased.

Examples of the cost saving measures are:

- Aggressively negotiated rates.
- Created two plans while still maintaining excellent benefits.
- Increased copays (80/20).
- Instituted a health and wellness program.
- Instituted a self-insurance plan for medical which in the long-term we will see savings.

The County has been successful at keeping the increases much lower than average.

Vacation, Sick, and Holiday pay are not included in this indicator.

INDICATOR 16

Fund Balances (Unrestricted)

Warning Trend:

Declining unreserved fund balances as a percentage of net operating revenues

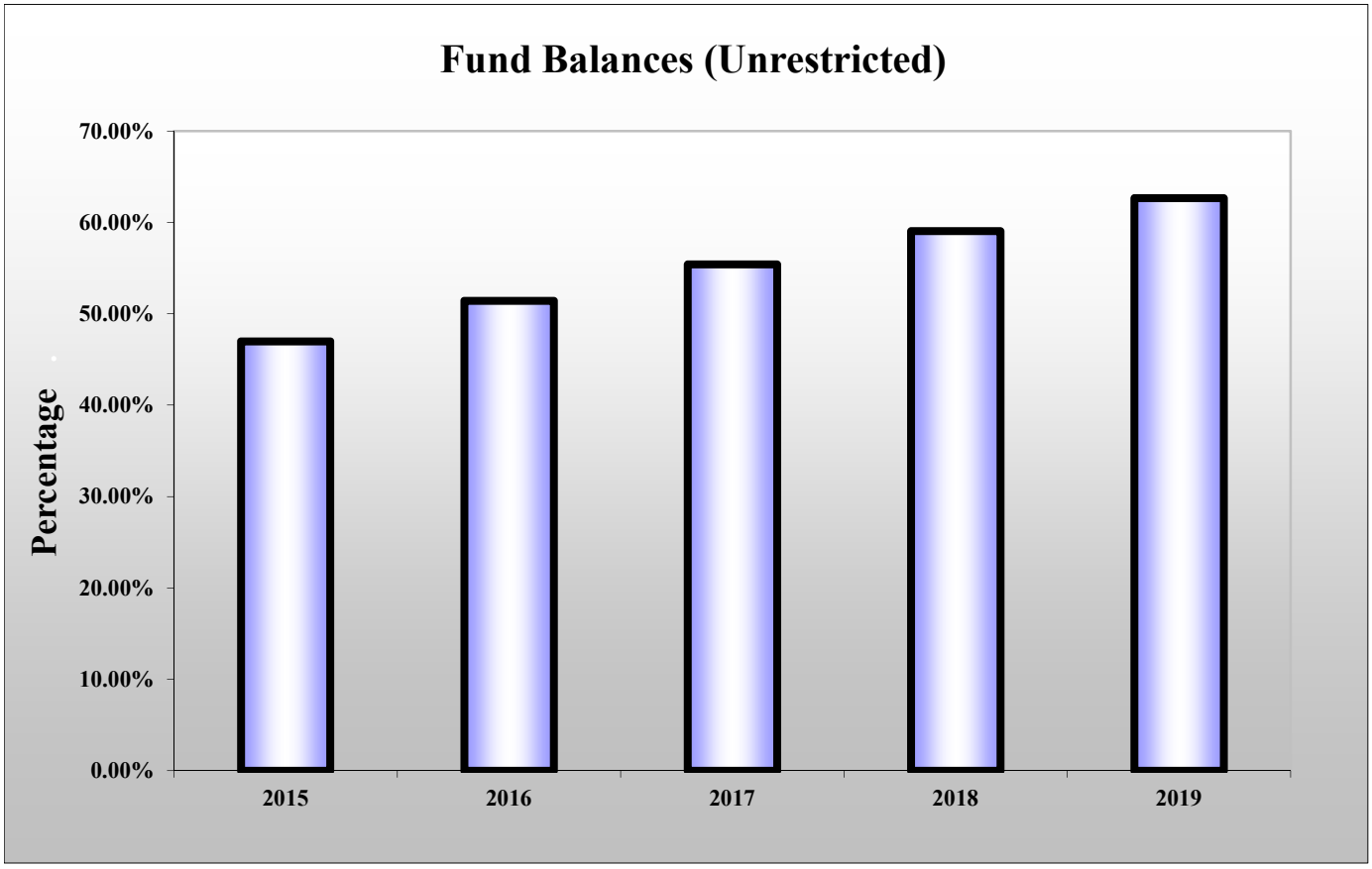
Formula:

$$\frac{\text{Unrestricted fund balances}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Unrestricted fund balances	31,699,206	34,594,048	38,530,044	42,098,033	45,209,437
Net operating revenues	67,439,037	67,256,717	69,542,991	71,284,287	72,152,169
Unrestricted fund balances as a percentage of net operating revenues	**47.00%**	**51.44%**	**55.40%**	**59.06%**	**62.66%**

Description:

The size of Cumberland County's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.



Indicator 16
Fund Balances (Unrestricted)

Explanation

The County has spent the past several years building fund balance in anticipation of future project needs. The County maintains a fund balance to increase the bond rating, to avoid tax anticipation notes, to fund major capital projects, to have the ability to respond to emergency and unforeseen situations, and to apply GFOA best practices. Over the next several years fund balance will be decreasing, but the County is committed to maintaining fund balance at a reasonable level in accordance with the County's fund balance policy.

INDICATOR 16

Fund Balances (Unassigned)

Warning Trend:

Declining undesignated fund balances as a percentage of net operating revenues

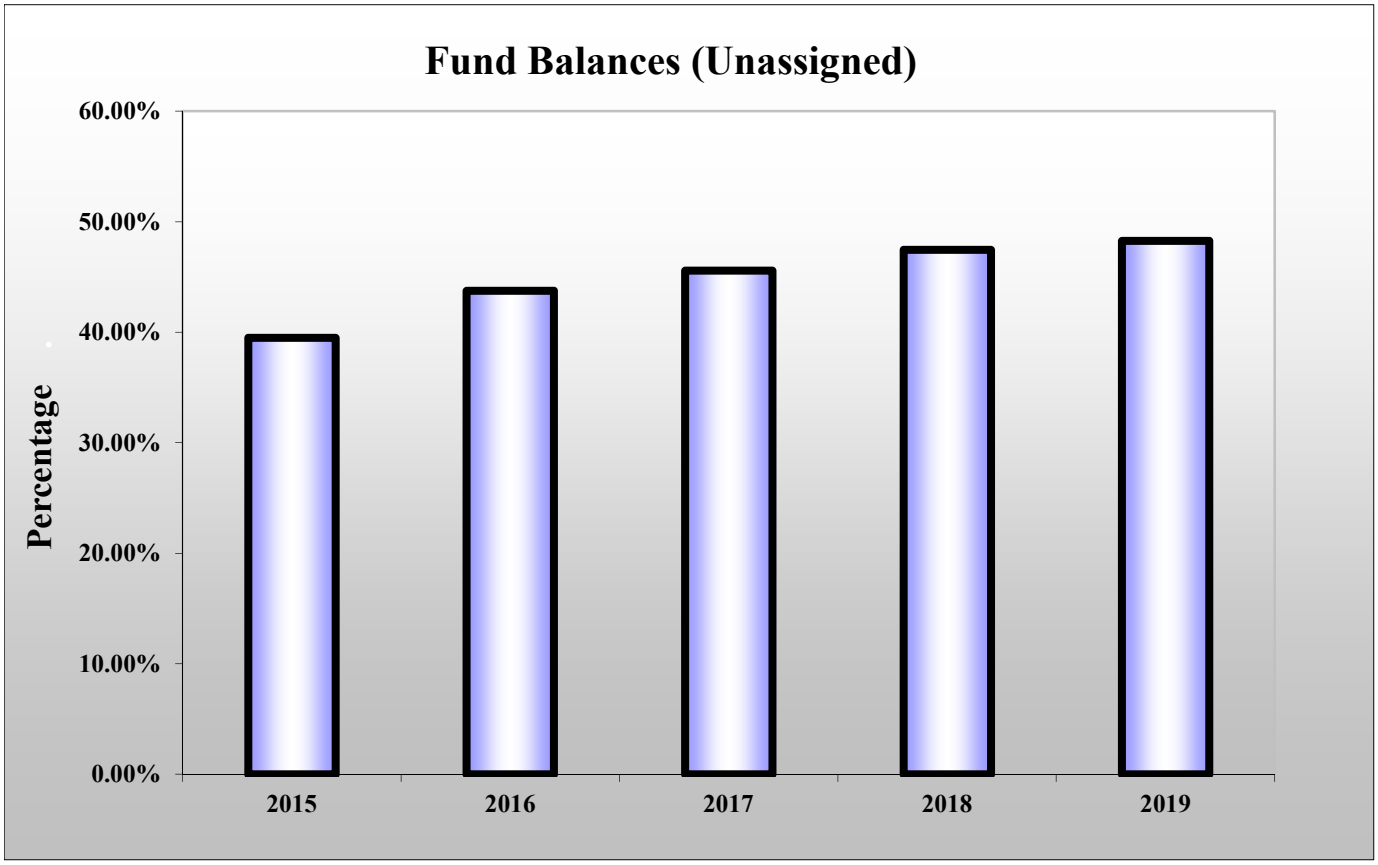
Formula:

$$\frac{\text{Unassigned fund balances}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Unassigned fund balances	26,632,682	29,428,204	31,701,039	33,827,761	34,826,593
Net operating revenues	67,439,037	67,256,717	69,542,991	71,284,287	72,152,169
Unassigned fund balances as a percentage of net operating revenues	**39.49%**	**43.76%**	**45.58%**	**47.45%**	**48.27%**

Description:

The size of Cumberland County's fund balances can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow.



Indicator 16
Fund Balances (Unassigned)

Explanation

The County has spent the past several years building fund balance in anticipation of future project needs. The County maintains a fund balance to increase the bond rating, to avoid tax anticipation notes, to fund major capital projects, to have the ability to respond to emergency and unforeseen situations, and to apply GFOA best practices. Over the next several years fund balance will be decreasing, but the County is committed to maintaining fund balance at a reasonable level that meets the County's fund balance policy.

INDICATOR 17

Liquidity

Warning Trend:

Decreasing amount of cash and short-term investments as a percentage of current liabilities

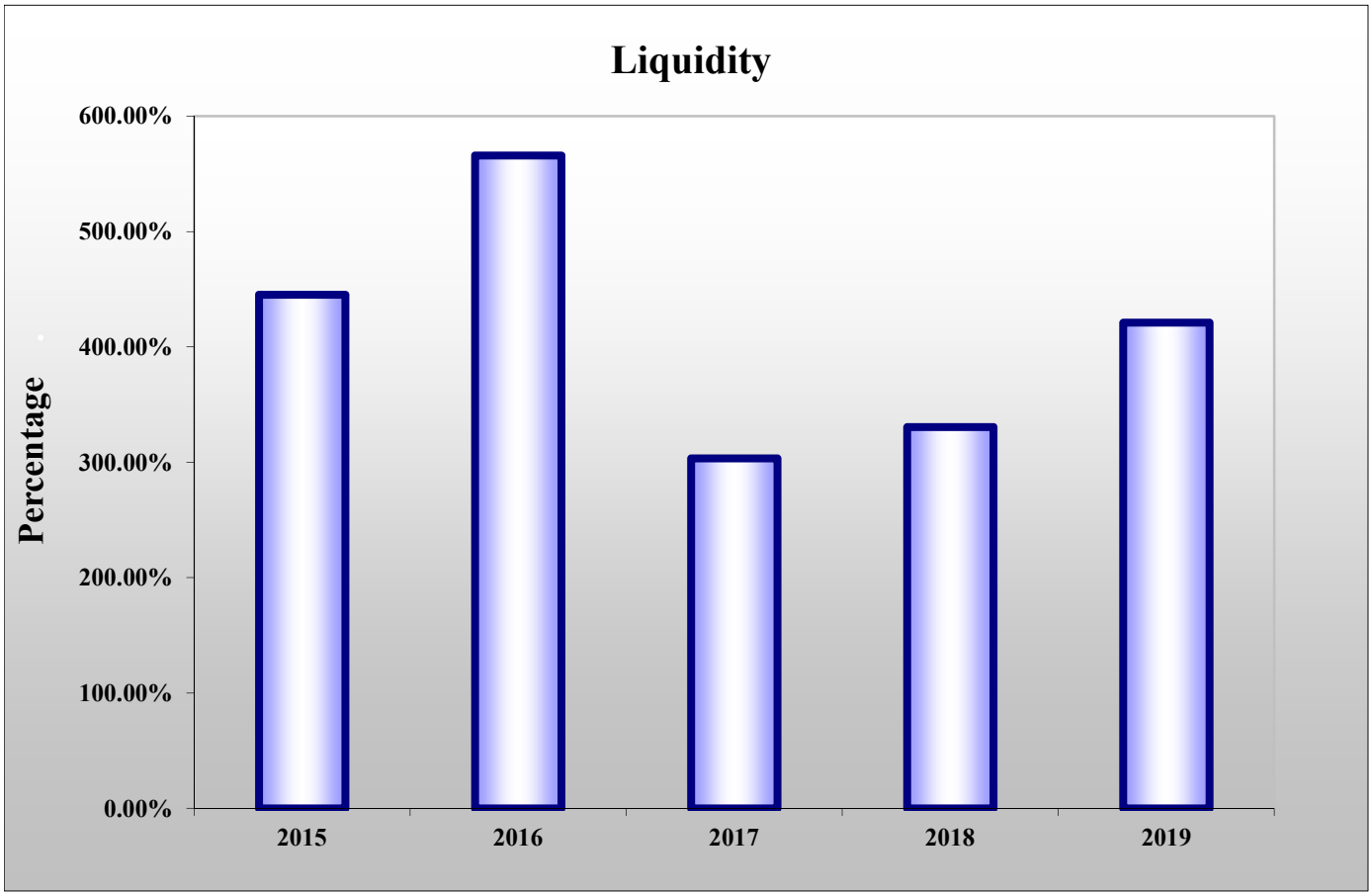
Formula:

$$\frac{\text{Cash and short-term investments}}{\text{Current Liabilities}}$$

Fiscal year:	2015	2016	2017	2018	2019
Cash and short-term investments	23,791,023	32,029,930	17,767,867	20,037,836	24,709,514
Current liabilities	5,340,446	5,657,366	5,853,623	6,060,387	5,866,296
Cash and short-term investments as a percentage of current liabilities	**445.49%**	**566.16%**	**303.54%**	**330.64%**	**421.21%**

Description:

A good measure of Cumberland County's short-run financial condition is its cash position.



Indicator 17
Liquidity

Explanation

The County's liquidity is healthy and has sufficient liquidity to meet its cash flow requirements for the year. Short-term investments decreased in 2017 because more money was invested in long-term CDs than previous years. In 2018, the County's statement savings increased approximately $9.7 million while short-term investments decreased $8 million. In 2019, statement savings decreased $7.2 million while short-term investments increased $13.7 million.

INDICATOR 17

CNRC Liquidity

Warning Trend:

Decreasing amount of cash and short-term investments as a percentage of current liabilities

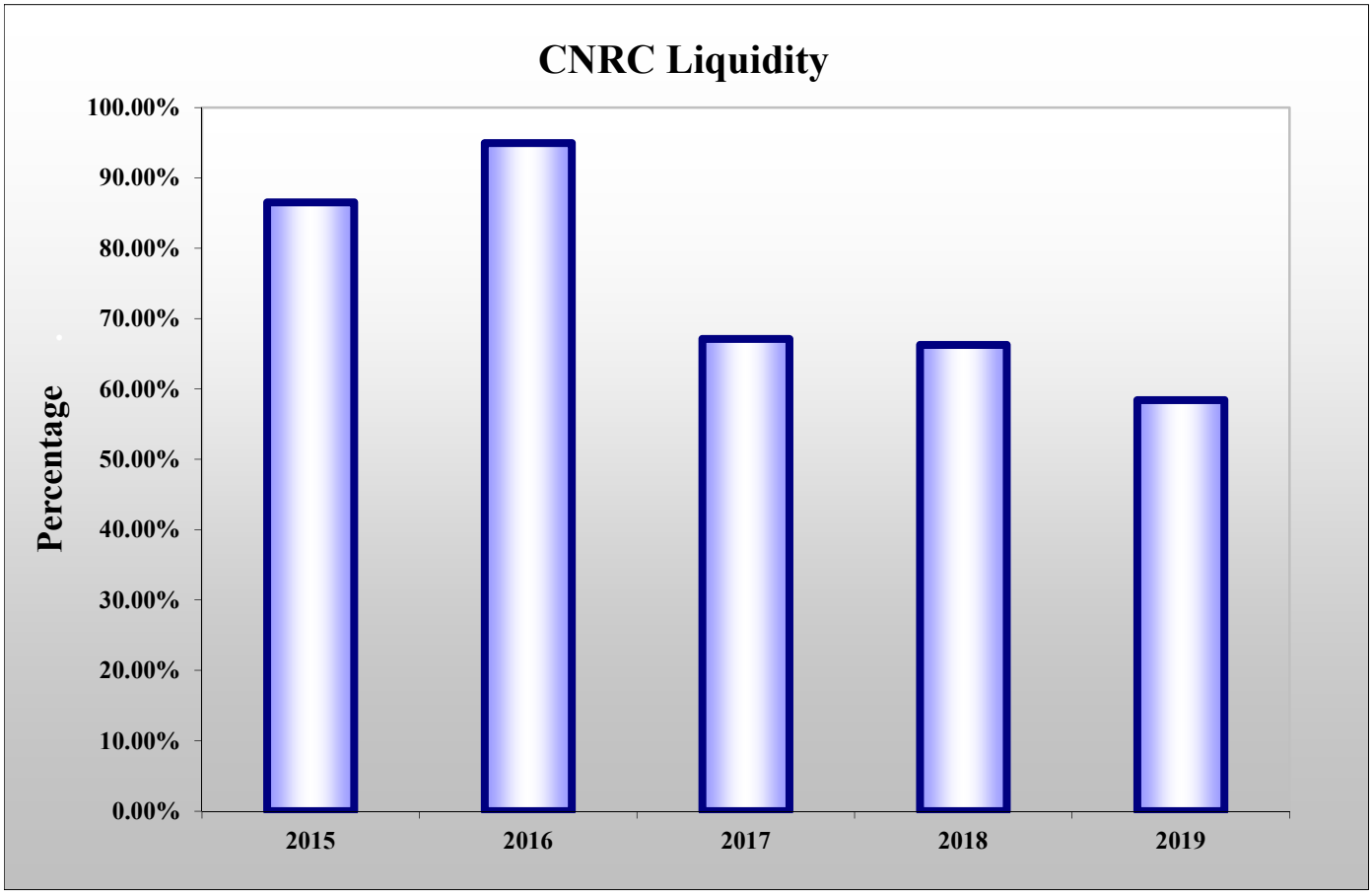
Formula:

$$\frac{\text{CNRC Cash and short-term investments}}{\text{CNRC Current Liabilities}}$$

Fiscal year:	2015	2016	2017	2018	2019
CNRC Cash and short-term investments	3,088,509	3,399,133	2,691,234	2,000,598	2,186,702
CNRC Current liabilities	3,568,388	3,577,899	4,007,986	3,018,224	3,740,703
CNRC Cash and short-term investments as a percentage of current liabilities	**86.55%**	**95.00%**	**67.15%**	**66.28%**	**58.46%**

Description:

A good measure of the County's Nursing Home's short-run financial condition is its cash position.



Indicator 17
CNRC Liquidity

Explanation

CNRC's liquidity is healthy. The cash and short-term investments available meet our current liability payment needs. CNRC continues to improve its A/R process. CNRC keeps a close eye on early indicators, like census and changes in A/R balances, in order to act quickly and avoid negative long-term impacts wherever possible.

INDICATOR 18

Current Liabilities

Warning Trend:

Increasing current liabilities at the end of the year as a percentage of net operating revenues

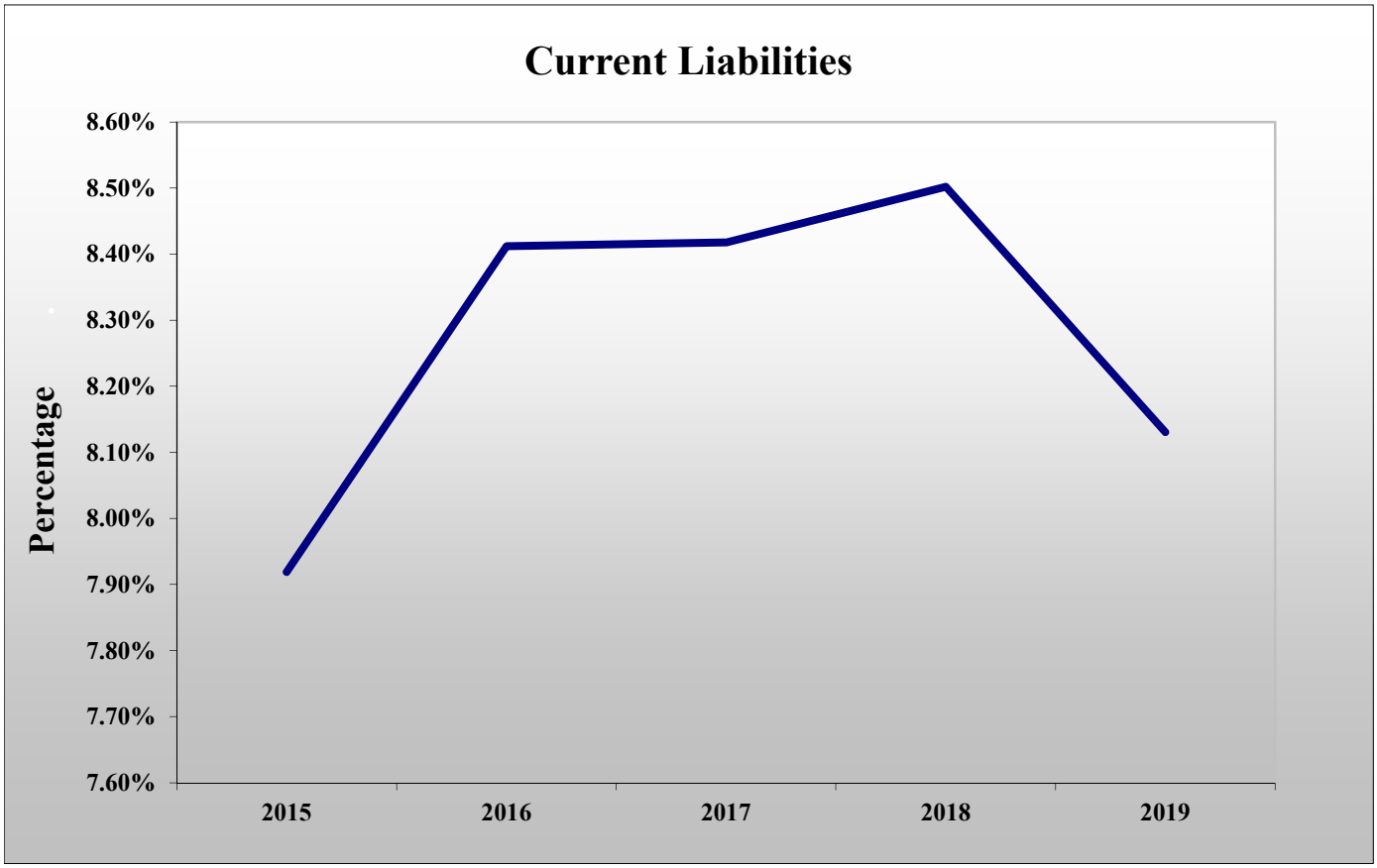
Formula:

$$\frac{\text{Current Liabilities}}{\text{Net Operating Revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Current liabilities	5,340,446	5,657,366	5,853,623	6,060,387	5,866,296
Net Operating Revenues	67,439,037	67,256,717	69,542,991	71,284,287	72,152,169
Current liabilities as a percentage of net operating revenues	**7.92%**	**8.41%**	**8.42%**	**8.50%**	**8.13%**

Description:

Current liabilities are defined as the sum of all liabilities due at the end of the fiscal year, including short-term debt, current portion of long-term debt, all accounts payable, accrued liabilities, and other current liabilities.



Indicator 18
Current Liabilities

Explanation

The County's current liabilities have stayed stable over time. The targeted range for current liabilities is 5% or less of net operating revenues. The County's current liabilities are more than 5% of net operating revenues due to year end accruals booked.

INDICATOR 19

Long-Term Debt

Warning Trend:

Increasing net direct bonded long-term debt as a percentage of assessed valuation

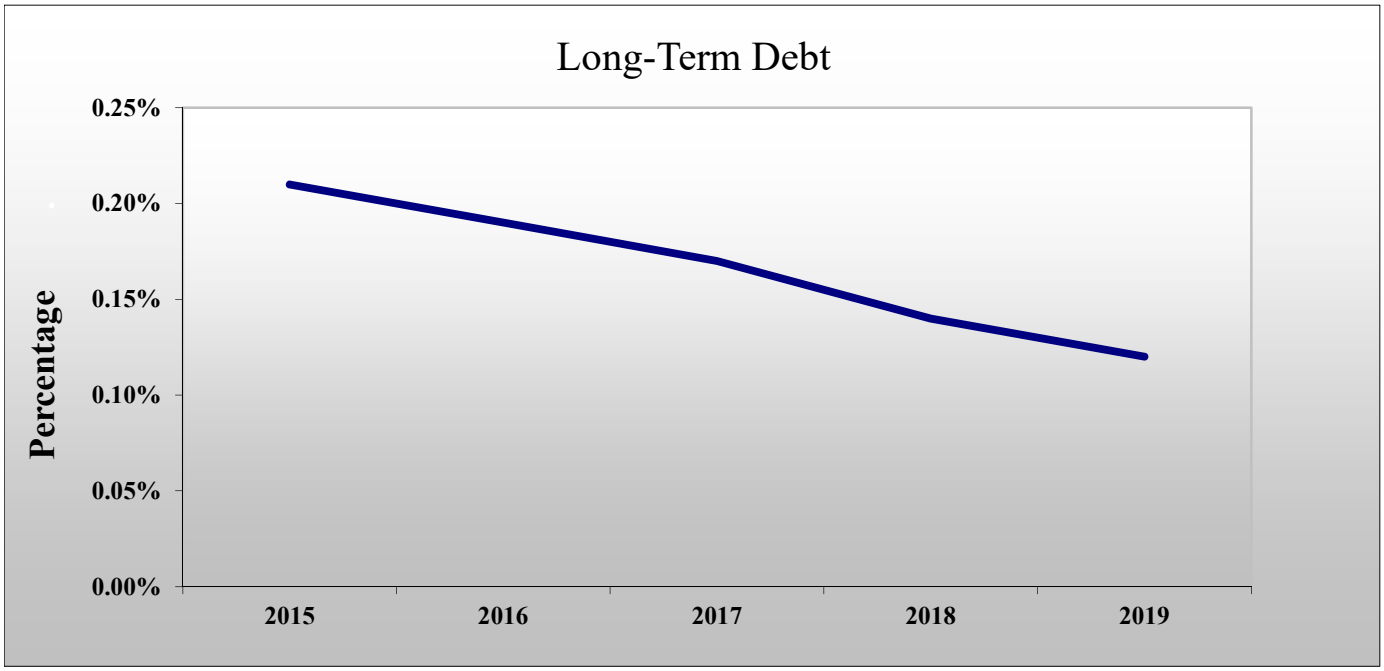
Formula:

$$\frac{\text{Net direct bonded long-term debt}}{\text{Assessed valuation}}$$

Fiscal year:	2015	2016	2017	2018	2019
Assessed valuation	23,573,505,000	23,878,160,000	24,287,005,700	24,690,067,000	25,081,418,600
Net direct bonded long-term debt	50,165,000	45,831,131	40,115,634	33,955,998	29,569,972
Net direct bonded long-term debt as a percentage of assessed valuation	**0.21%**	**0.19%**	**0.17%**	**0.14%**	**0.12%**

Description:

Direct debt is bonded debt for which the local government has pledged its full faith and credit. It does not include the debt of overlapping jurisdictions, such as separate school districts, even if the local government has pledged its full faith and credit for such debts. Self-supporting debt is bonded debt that the local government has pledged to repay from a source separate from its general tax revenues. Net direct debt is direct debt minus self-supporting debt. An increase in net direct bonded long-term debt as a percentage of assessed valuation can mean that the government's ability to repay is diminishing -- assuming that a government depends on the property tax to pay its debts.



Indicator 19
Long-Term Debt

Explanation

The County's valuation is increasing over time by about 1% annually. The County has not issued new debt service since 2012. As we pay the debt down and valuations increase, this percentage decreases. We are expecting new debt issue in the 2021-2023 timeframe for multiple projects. We will remain within our long-term debt policy.

INDICATOR 20

Debt Service

Warning Trend:

Increasing net direct debt service as a percentage of net operating revenues

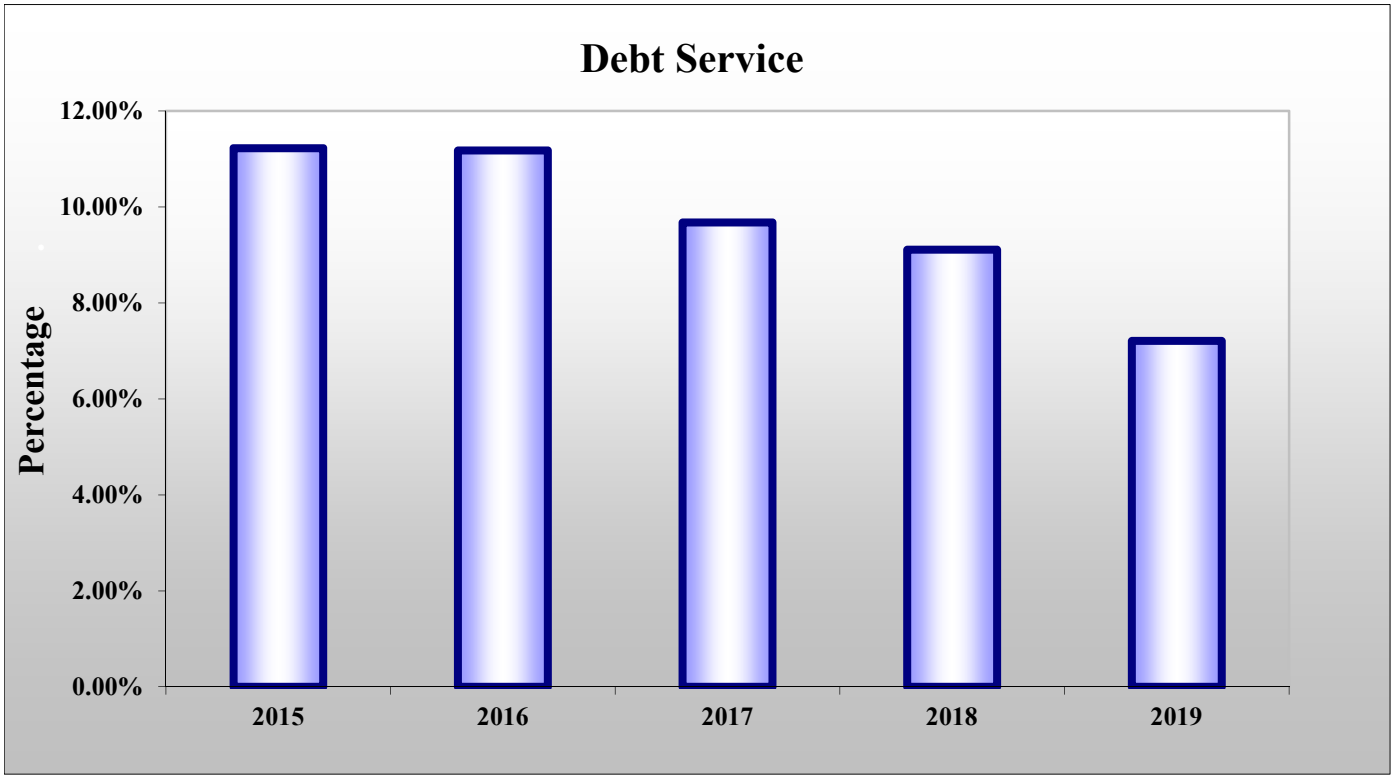
Formula:

$$\frac{\text{Net direct debt service}}{\text{Net operating revenues}}$$

Fiscal year:	2015	2016	2017	2018	2019
Net direct debt service	7,572,818	7,518,811	6,732,319	6,496,736	5,201,967
Net operating revenue	67,439,037	67,256,717	69,542,991	71,284,287	72,152,169
Net direct debt service as a percentage of net operating revenues	**11.23%**	**11.18%**	**9.68%**	**9.11%**	**7.21%**

Description:

Debt service is defined here as the amount of principal and interest that a local government must pay each year on net direct bonded long-term debt plus the interest it must pay on direct short-term debt. Increasing debt service reduces expenditure flexibility by adding to the government's obligations. Debt service can be a major part of a government's fixed costs, and its increase may indicate excessive debt and fiscal strain.



Indicator 20
Debt Service

Explanation

The County has a very low debt service ratio. In 2016, the County refinanced the 2008 bond. New debt was issued in 2018. The debt ratio will increase in the next couple years (2021-2023) for multiple projects throughout the County.

INDICATOR 21

Overlapping Debt

Warning Trend:

Increasing long-term overlapping bonded debt as a percentage of assessed valuation

Formula:

$$\frac{\text{Long-term overlapping bonded debt}}{\text{Assessed valuation}}$$

Fiscal year:	2015	2016	2017	2018	2019
Long-term overlapping debt	632,078,174	608,604,621*	694,399,071	774,802,424	811,248,034
Assessed valuation	23,573,505,000	23,878,160,000	24,287,005,700	24,690,067,000	25,081,418,600
Long-term overlapping debt as a percentage of assessed valuation	**3.00%**	**3.00%**	**3.00%**	**3.00%**	**3.00%**

Description:

Overlapping debt is the net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community. The level of overlapping debt is only that debt applicable to the property shared by the two jurisdictions. The overlapping debt indicator measures the ability of the community's tax base to repay the debt obligations issued by all of its governmental and quasi-governmental jurisdictions. If other jurisdictions default, your community may have a contingent, moral, or political obligation to assume the debt, provide the services, or both.

Indicator 21
Overlapping Debt

Explanation

The Overlapping debt in Cumberland County has stayed steady over the past five years.

*2016 long-term overlapping debt does not match amount reported in CAFR. Mechanicsburg reported at 1,225,000 but total outstanding debt is 13,695,000.

INDICATOR 26

Capital Outlay

Warning Trend:

A three or more year decline in capital outlay from operating funds as a percentage of net operating expenditures

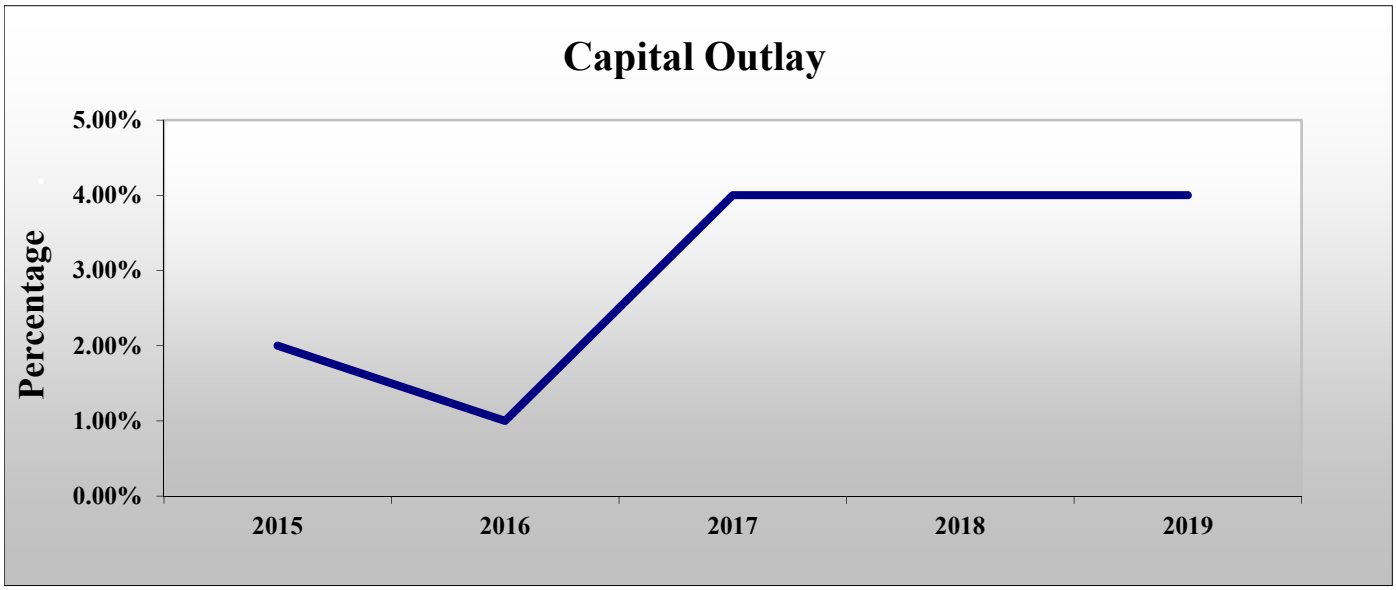
Formula:

$$\frac{\text{Capital outlay from operating funds}}{\text{Net operating expenditures}}$$

Fiscal year:	2015	2016	2017	2018	2019
Capital outlay	1,561,622	942,936	2,842,133	2,497,768	2,505,566
Net operating expenditures	64,260,485	64,390,484	66,455,571	67,482,063	68,005,881
Capital outlay as a percentage of Net operating expenditures	**2.00%**	**1.00%**	**4.00%**	**4.00%**	**4.00%**

Description:

Expenditures for operating equipment drawn from the operating budget are usually referred to as capital outlay. Capital outlay items normally include equipment that will last longer than one year and that has an initial cost above a significant minimum amount. Capital outlay does not include capital budget expenditures for construction of infrastructure such as streets, buildings, or bridges that are not in the General Fund. The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. The ratio of capital outlay to net operating expenditures is a rough indicator of whether stock of equipment is being adequately replaced. If this ratio declines in the short run (one to three years), it may mean that the local government's needs are temporarily satisfied, since most equipment lasts more than one year. A decline persisting over three or more years can indicate that capital outlay needs are being deferred, which can result in the use of inefficient or obsolete equipment.



Indicator 26
Capital Outlay

Explanation

The County has maintained its capital outlay. Capital decreased in 2016 because the following projects were completed in 2015:

- Pictometry
- Courtrooms
- Paved Ritner parking lots

Capital increased in 2017 due to the following projects:

- Voice over Internet Protocol (VoIP)
- Kronos licenses and maintenance
- Courtroom AV upgrade

In 2018, the major capital project was the purchase of the Ritner building and moving offices within the County to accommodate the 7th Court of Common Pleas Judge in 2020.

In 2019, the purchase of new election equipment began. The majority of expenses will be in 2020. The 7th Courtroom was completed in 2019.

INDICATOR 26

Capital Outlay CNRC

Warning Trend:

A three or more year decline in capital outlay from operating funds as a percentage of net operating expenditures

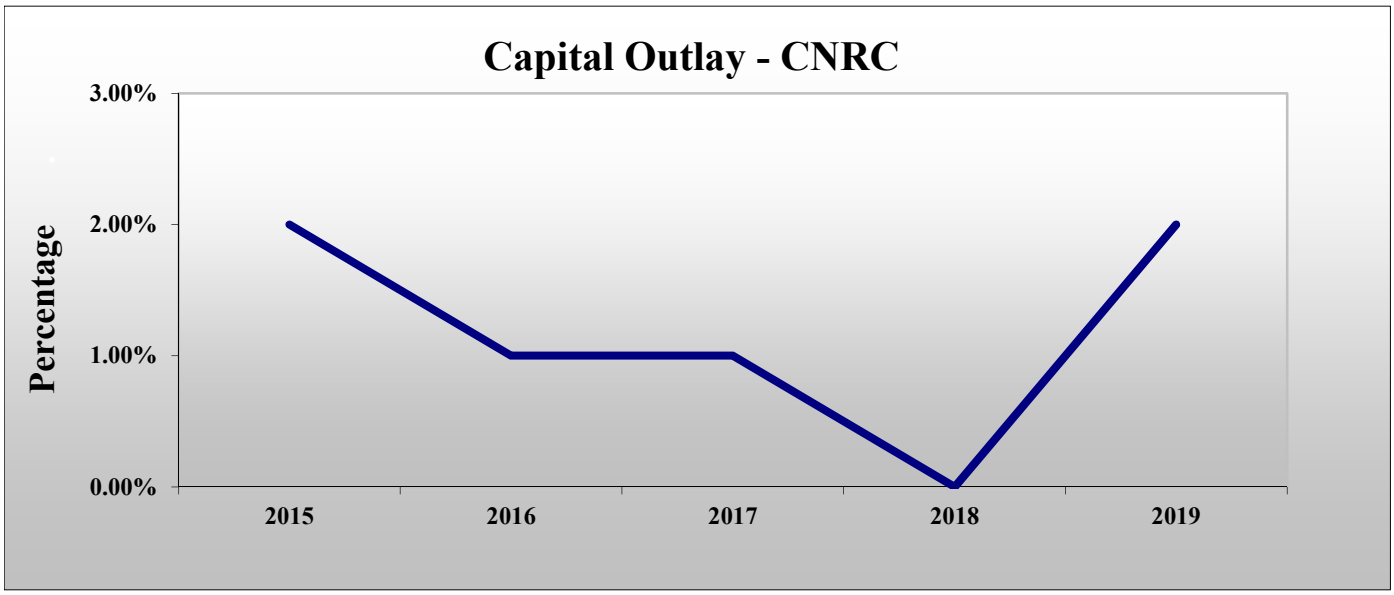
Formula:

$$\frac{\text{Capital outlay from operating funds}}{\text{Net operating expenditures}}$$

Fiscal year:	2015	2016	2017	2018	2019
Capital outlay	490,020*	379,353	310,050	92,210	560,422
Net operating expenditures	24,858,320	27,342,764	27,984,374	29,262,670	28,376,265
Capital outlay as a percentage of Net operating expenditures	**2.00%**	**1.00%**	**1.00%**	**0.00%**	**2.00%**

Description:

Expenditures for operating equipment drawn from the operating budget are usually referred to as capital outlay. Capital outlay items normally include equipment that will last longer than one year and that has an initial cost above a significant minimum amount. The purpose of capital outlay in the operating budget is to replace worn equipment or to add new equipment. The ratio of capital outlay to net operating expenditures is a rough indicator of whether stock of equipment is being adequately replaced. If this ratio declines in the short run (one to three years), it may mean that the local government's needs are temporarily satisfied, since most equipment lasts more than one year. A decline persisting over three or more years can indicate that capital outlay needs are being deferred, which can result in the use of inefficient or obsolete equipment.



Indicator 26
Capital Outlay CNRC

Explanation

CNRC capital is typically about 1% of net operating revenues. In 2015, the CNRC rehab unit was completed. In 2016, the major capital project was the nurse call bell system which was completed in 2017. Capital decreased substantially in 2018 due to timing and the types of projects. Life safety was requiring that ceiling tiles are replaced in the tower portion of the building. The project was ready to bid in the fall of 2019 but was put on hold after receiving word that CMS might allow the current building to utilize an FSES waiver. A decision on the waiver was to be made in the spring of 2020 but was delayed due to COVID-19. The estimated cost of this project is $900,000. Technology projects took precedence in 2019 and were not considered capital. Two major capital projects occurred in 2019: the chiller installation and the fire alarm system upgrade.

*Capital outlay in 2015 was updated from 2015 Financial Conditions Report to include the nursing home capital project fund.

INDICATOR 28

Population

Warning Trend:

Rapid change in population size

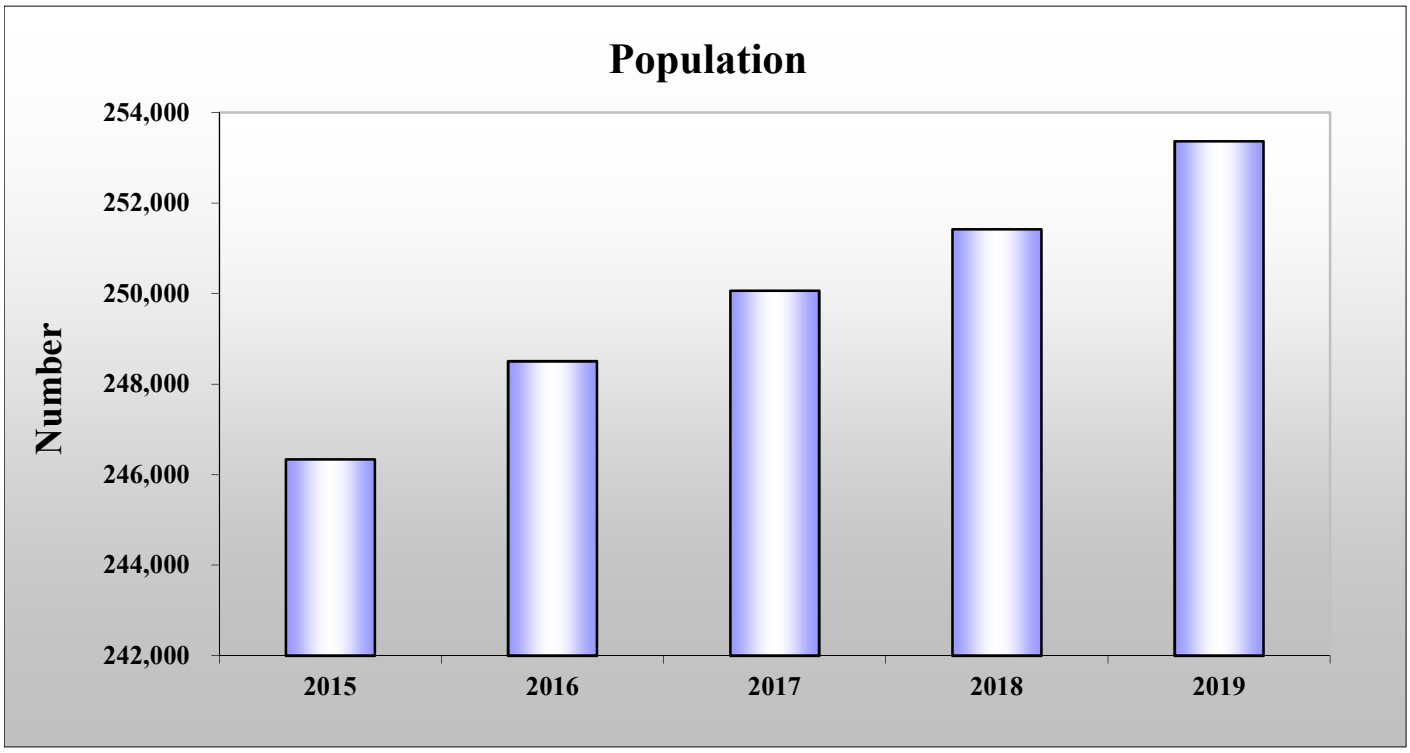
Formula:

Population

Fiscal year:	2015	2016	2017	2018	2019
Population	246,338	248,506	250,066	251,423	253,370

Description:

Population increases can create immediate pressures for new capital outlay and higher level of services. Population decreases create the need to make reductions in expenses that are proportional to the population loss. Many costs are fixed and cannot be reduced in the short-run.



Indicator 28
Population

Explanation

Cumberland County continues to be a fast growing county. This continued growth has put a lot of pressure points on County services. The County has seen an increase in services related to the criminal justice system. The County is working on mitigating caseload pressures and expanding programs for non-violent offenders. Increasing populations also put pressure on Human Services (Drug & Alcohol, MH-IDD, Children & Youth, etc) to provide services to more people that may need it.

INDICATOR 32

Property Value

Warning Trend:

Declining growth or drop in the assessed value of residential, commercial, or industrial property (constant dollars)

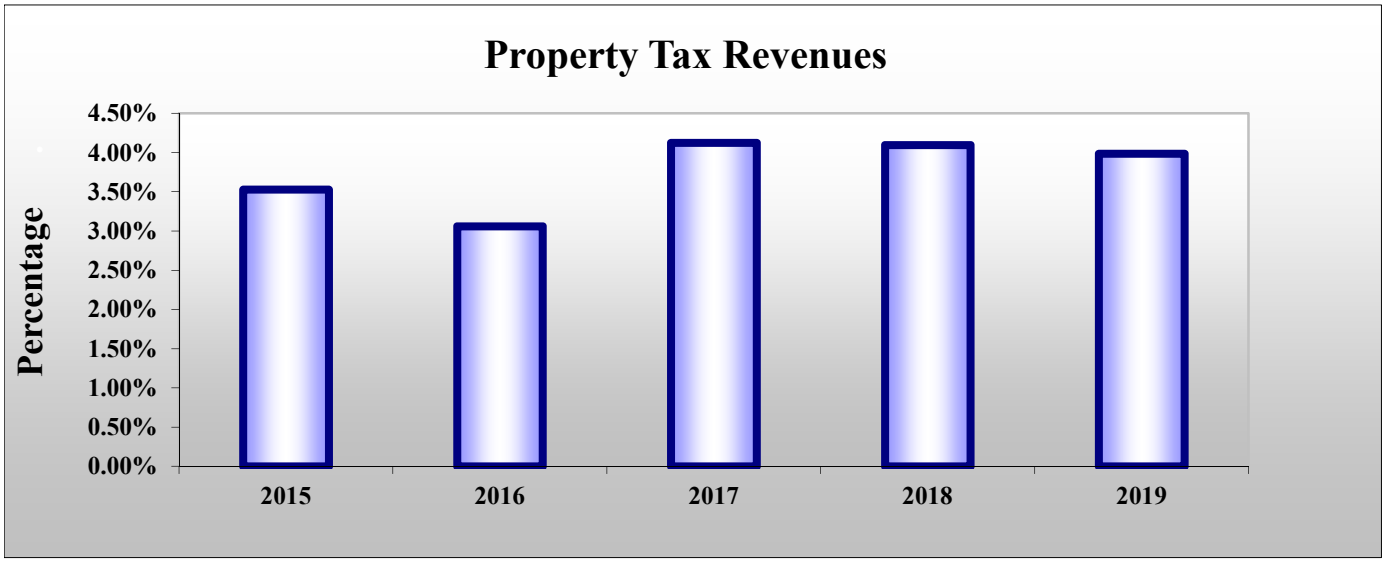
Formula:

$$\frac{\text{Change in property value (constant dollars)}}{\text{Property value in prior year (constant dollars)}}$$

Fiscal year:	2015	2016	2017	2018	2019
Assessed value of property	23,573,505,000	23,878,160,000	24,287,005,700	24,690,067,000	25,081,418,600
Consumer Price Index (CPI)	237.02	240.01	245.12	251.11	255.66
Consumer Price Index (CPI) in decimal	2.370	2.400	2.451	2.511	2.557
Property value (constant dollars)	9,945,913,162	9,948,922,430	9,908,210,550	9,832,488,541	9,810,573,777
Change in property value	351,015,200	304,655,000	408,845,700	403,061,300	391,351,600
Percentage change in Property value	**3.53%**	**3.06%**	**4.13%**	**4.10%**	**3.99%**

Description:

Changes in property value are important because most local governments depend on the property tax for a substantial portion of their revenues. Especially in a community with a stable or fixed tax rate, the higher the aggregate property value, the higher the revenues. Communities experiencing population and economic growth are likely to experience short-run, per unit increases in property value. This is because in the short-run, the housing supply is fixed and the increase in demand created by growth will force prices up. Declining areas are more likely to see a decrease in the market value of properties. The effect of declining property value on governmental revenues depends on the government's reliance on property taxes.



Indicator 32
Property Value

Explanation

Cumberland County continues to be a fast growing county. In PA, assessed values are not updated based on market until a reassessment occurs. The growth in this indicator is due to growth in new properties/construction.

INDICATOR 33A

Exempt Property

Warning Trend:

Increasing assessed value of exempt property as a percentage of assessed value of total property

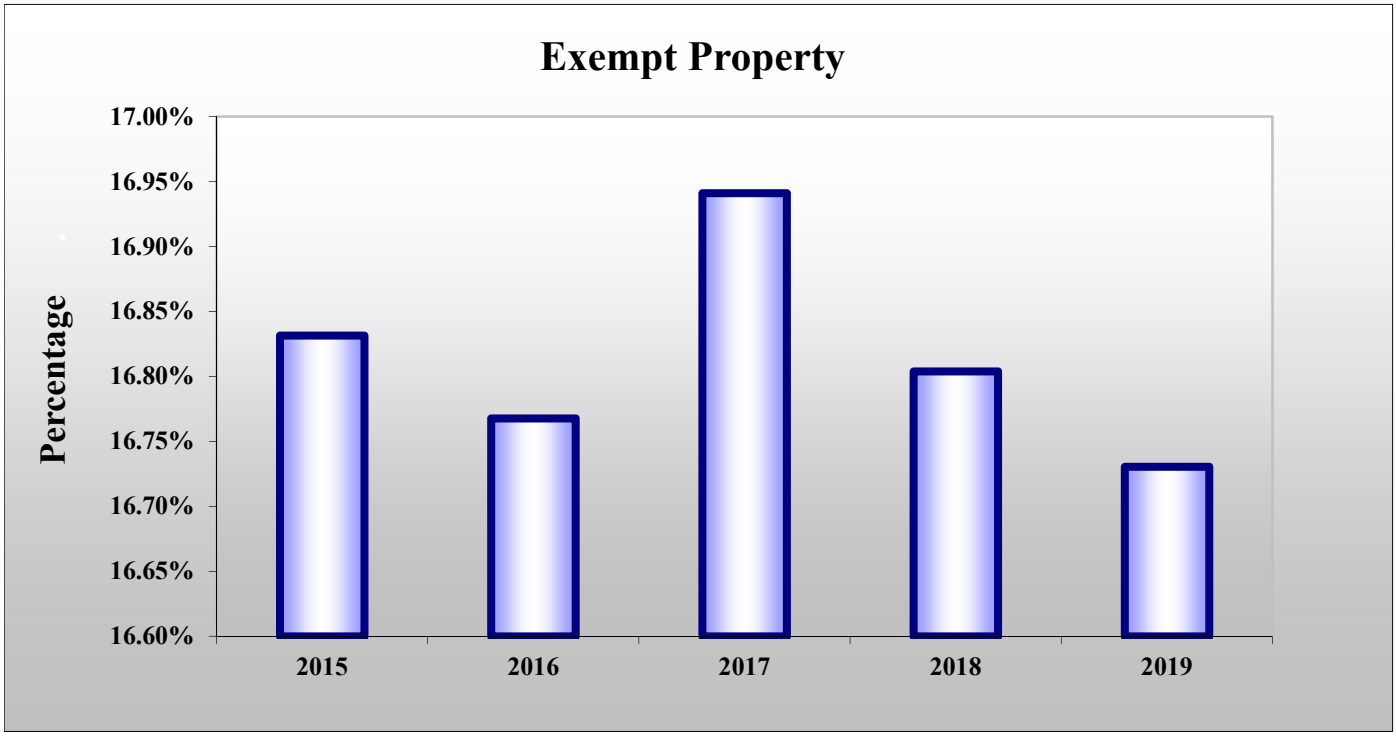
Formula:

$$\frac{\text{Assessed value of exempt property}}{\text{Assessed value of total}}$$

Fiscal year:	2015	2016	2017	2018	2019
Assessed value of exempt property	3,967,767,700	4,003,853,900	4,114,485,600	4,148,914,300	4,196,267,200
Total assessed value of total property	23,573,505,000	23,878,160,000	24,287,005,700	24,690,067,000	25,081,418,600
Assessed value of exempt property as a percentage of assessed value of total	**16.83%**	**16.77%**	**16.94%**	**16.80%**	**16.73%**

Description:

Changes in property value are important because most local governments depend on property tax for a substantial portion of their revenues. The higher the exempt property percentage grows the more it will reduce the tax basis.



Indicator 33A
Exempt Property

Explanation

Exempt properties have stayed relatively stable over time. In 2017, Carlisle Regional Medical Center was removed from the tax roles because it was purchased by Pinnacle Health, a non-profit.