

**INTER-OFFICE MEMORANDUM**

**CITY OF HARRISBURG**

June 10, 2010

**TO:** Daniel C. Miller, CPA  
Controller

**FROM:** William P. Leinberger, CMA, CFM  
Deputy Controller

**SUBJECT:** General Fund Cash Flow Analysis

Attached to this email is the City's 2010 cash flow analysis with actual collections and disbursements through May 31, 2010. Please review the schedule and consider the assumptions used for the projections. As the schedule stands, I have very serious concerns regarding the City's ability to remain liquid throughout the remainder of the year and ultimately our solvency as a whole. Several items of significance regarding the reports are as follows:

1. The 2010 year-end projected cash deficit is \$7.14 million. This is calculated as beginning cash balance of \$1.20 million plus revenues and transfers of \$51.74 million less expenses and debt service of \$48.05 and \$12.04 million, respectively.
2. The attached cash flow analysis uses 2009 General Fund actual revenues as a projection for current year performance and those numbers are replaced with actual 2010 data as it becomes available. Currently, actual data is represented through May 2010.
3. The only revenue item that has been broken out separately in the revenue section is Administrative Service Charges and Transfers-In. Since these sources represent nearly 19% of the projected 2010 revenue, and due to the fact that they can be drawn upon in times of need, they warranted separate disclosure.
4. You will also notice that 2010 projected year-end revenue is significantly less than 2009 actuals. This is due to the fact that the General Fund does not anticipate receiving nearly \$5.23 million of Water Fund administrative service charges. These amounts were eliminated from the Approved Budget in order to balance the Water Fund budget. Additionally, 2009 one-time "transfers" from the Water Fund and Sewer Fund were not anticipated in the 2010 projections.
5. General Expenses on the attached analysis represents all remaining expenditures other than payroll and fringe benefits, which themselves total nearly 64% of the projected 2010 expenditures. General expenses are calculated based upon 2009 actuals. Of course, if the calculation were to be

based on the Adopted expenditure budget, the year-end analysis would be significantly worse.

6. An assumption that warrants individual attention in the attached analysis is the matter of debt service and the sale of artifacts. Included in the Debt Service Fund revenue is anticipated proceeds of \$950,000 from the sale of artifacts. If the City does not receive those funds this year, an additional unbudgeted burden of a like amount will be incurred in the General Fund to pay the City's debt service expense.

If you have any questions or concerns, please feel free to contact me. Thank you.

cc: Celia Spicher  
File

Harrisburg City  
2010 General Fund Cash Flow

	2010 ACTUALS					2010 PROJECTED							Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
2010 Beginning Cash Balance <sup>(1)</sup>	1,200,396	362,321	2,227,656	2,001,796	5,504,905	2,230,735	1,511,367	(624,448)	(2,126,362)	(4,863,138)	(7,847,280)	(7,856,365)	1,200,396
Actual Revenue Less Admin/Transfer <sup>(2)</sup>	972,667	2,426,792	6,679,420	9,345,861	2,451,033	2,789,845	1,729,778	2,007,299	4,132,436	2,006,450	3,806,080	3,779,925	42,127,585
2010 Admin Service/Transfers In <sup>(3)</sup>	1,500,000	2,000,085	2,550,000	23,155	-	506,513	506,513	506,513	506,513	506,513	506,513	506,513	9,618,831
Sub-total Cash In	3,673,063	4,789,198	11,457,076	11,370,812	7,955,938	5,527,093	3,747,658	1,889,364	2,512,587	(2,350,174)	(3,534,687)	(3,569,927)	52,946,812
Less:													
Payroll <sup>(4)</sup>	2,303,462	2,247,562	2,387,724	3,724,289	2,217,901	2,250,000	2,250,000	2,250,000	2,250,000	3,375,000	2,250,000	2,250,000	29,755,938
Health Insurance <sup>(5)</sup>	6,990	14,734	378,349	642,848	1,209,724	892,642	892,642	892,642	892,642	892,642	892,642	892,642	8,501,139
General Expense (All Other) <sup>(6)</sup>	6,411	299,246	1,128,334	1,124,050	1,122,113	873,084	873,084	873,084	873,084	873,084	873,084	873,084	9,791,739
Cash Available for Debt Service	1,356,200	2,227,656	7,562,669	5,879,625	3,406,200	1,511,367	(268,068)	(2,126,362)	(1,503,139)	(7,490,900)	(7,550,413)	(7,585,651)	4,897,996
Debt Service:													
City Debt Payments	356,379	-	5,560,873	374,720	1,175,465	-	356,379	-	3,359,999	356,379	305,952	(442,000)	11,404,147
THA Debt Payments*	637,500	-	-	-	-	-	-	-	-	-	-	-	637,500
Total Debt Service	993,879	-	5,560,873	374,720	1,175,465	-	356,379	-	3,359,999	356,379	305,952	(442,000)	12,041,647
Ending Cash Balance	362,321	2,227,656	2,001,796	5,504,905	2,230,735	1,511,367	(624,448)	(2,126,362)	(4,863,138)	(7,847,280)	(7,856,365)	(7,143,651)	(7,143,651)

\*Assumes the City will not make any further guarantee payments on behalf of THA for the remainder of the 2010 year.

Required Debt Serv Res Fund Pymts	468,356	468,356	468,357	468,357	468,356	1,981,176							4,322,958
Req Debt Serv Res Fd Pymts/County	646,015	646,015	646,015	646,015	646,015	646,015	646,015						3,876,090
County Gauranteed Payments					4,185,501							41,725,499	45,911,000
<b>City General Fund Debt Payments:</b>													
Capitalized Lease Obligation	356,379			374,720			356,379			356,379			1,443,858
G.O. Refunding Bonds - Series D of 1997			750,000					1,705,000					2,455,000
G.O. Refunding Notes - Series F of 1997			695,000					1,585,000					2,280,000
2008 PIB Loan \$2,400,000.00			297,742										297,742
Pension Bond			3,818,131										3,818,131
HRA Guar. Revenue Note (TRAN)					728,433						99,025		827,458
HRA Guarr. Rev. Bonds-Ser A-2 of 2005 (Metro Bank Park)					447,032						206,927		653,959
PA Infrastructure Bank 2004 Loans								69,999					69,999
2010 City Debt Service Revenue <sup>(7)</sup>												(442,000)	(442,000)
	356,379	-	5,560,873	374,720	1,175,465	-	356,379	-	3,359,999	356,379	305,952	(442,000)	11,404,147

<sup>(1)</sup> Per Pentamation

<sup>(2)</sup> Total General Fund revenue less administrative service charge and interfund transfers. See Adjustments Tab for projections based on 2009 actuals.

<sup>(3)</sup> Total administrative service charges and interfund transfers. Projections represent (2010 Budgeted admin and transfers) less (2010 YTD admin and transfers) divided by remaining months.

<sup>(4)</sup> Projections based on average General Fund payroll of \$1,125,000 per pay.

<sup>(5)</sup> Projections based on total actual 2009 General Fund benefits of \$8,501,138 less 2010 actuals divided by remaining months

<sup>(6)</sup> Projections based on 2009 General Fund expenditures of \$59,894,963 less 2010 YTD expenditures divided by remaining months.

<sup>(7)</sup> The City has budget \$1.55 million revenue in the Debt Service Fund from sale of artifacts and various City Island park permit revenue for repayment of the above debt. It appears that \$442,000 may be more realistic.