

**INTER-OFFICE MEMORANDUM**

**CITY OF HARRISBURG**

August 14, 2012

**TO:** Mayor Linda Thompson  
City Council Members  
John Campbell, Treasurer

**FROM:** Daniel Miller  
Controller

**SUBJECT:** General Fund Cash Flow Analysis

Attached is the City's 2012 projected cash flow analysis with actual collections and disbursements through July 31, 2012. Several items of significance regarding the reports are as follows:

1. The 2012 projected year-end cash deficit is \$13.87 million. This is calculated as follows: Projected revenues and transfers of \$46.31 million less projected operating expenditures of \$45.96 million and debt service expenditures of \$11.48 million. This results in a 2012 projected deficit of \$11.13 million. From this, 2011 year-end negative cash balance of \$2.73 million is deducted. As a point of caution, prior year results are difficult to verify since General Fund ledger accounts for cash have not been reconciled for an extended period of time.
2. The attached cash flow analysis uses 2011 General Fund actual revenues (adjusted for one-time revenues sources) as a projection for current year performance. Revenue has also been adjusted to include an additional \$2.0 million of proceeds from the state for fire protection and also to include an additional \$1.13 million of real estate tax proceeds from a .8 mill tax increase. These numbers are replaced with actual 2012 data as it becomes available. Actual data is currently represented through July 2012.
3. The only revenue item that has been broken out separately in the revenue section is Administrative Service Charges, Transfers-In, and Harrisburg Parking Authority – Coordinated Parking Fund (HPA-CPF) Transfers. Since these sources represent approximately 11% of the projected 2012 revenue, and due to the fact that they can be drawn upon in times of need, they warranted separate disclosure. There is a significant change in 2012 related to administrative service charges from the Water and Sewer Funds. The city's Receiver has reduced them both significantly and they are not expected to be increased to prior year levels again.
4. The 2012 projected year-end revenue of \$46.31 million does not include one-time revenue sources received in 2011 related to; \$7.4 million of proceeds from the Harrisburg Parking Authority's issuance of Parking Revenue Bonds Series U of 2011, and \$2.96 million of Pension System State Aid in excess of the city's minimum municipal obligation

5. General Expenses on the attached analysis represent all remaining expenditures other than payroll and fringe benefits, which themselves total approximately 61% of the projected 2012 expenditures. General expenses represent approximately 19% of the projected General Fund expenditures, or \$10.81 million.
6. The city defaulted on the March 15, 2012 debt service payment for the General Obligation Bonds and Notes, Series D & F of 1997. The city's Receiver stated that it was necessary to maintain essential city services. The obligation is being reflected in successive months.
7. The city's 2012 Debt Service Fund budgeted approximately \$500,000 in revenue from park permit fees to offset the debt service transfers necessary from the General Fund. The administration is also planning to sell artifacts during 2012. The proceeds from the sale must be used to pay down the debt on the HRA Guaranteed Revenue Note (TRAN). Therefore, any proceeds from the sale will be accompanied by an equal additional expenditure for debt service.

If you have any questions or concerns, please feel free to contact the Controller's Office.  
Thank you.

cc: Lisa Blackston, for Mayor Linda Thompson  
Ricardo Mendez-Saldivia, P.E., Chief of Staff/Business Administrator  
Kirk Petroski, City Clerk, for City Council  
Robert Kroboth, CGFM, Finance Director  
Celia Spicher, Deputy Treasurer

| Harrisburg City<br>2012 General Fund Cash Flow   | ACTUAL         |                |                |              |              |              |              | PROJECTED      |                 |                 |                 |                 | Total           |
|--|----------------|----------------|----------------|--------------|--------------|--------------|--------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Jan            | Feb            | Mar            | Apr          | May          | Jun          | Jul          | Aug            | Sep             | Oct             | Nov             | Dec             |                 |
| Beginning Cash Balance <sup>(1)</sup>  | \$ (2,734,188) | \$ (2,921,279) | \$ (1,714,697) | \$ 5,326,697 | \$ 3,344,036 | \$ 2,135,469 | \$ 1,642,655 | \$ 843,534     | \$ (6,801,581)  | \$ (10,015,348) | \$ (11,582,553) | \$ (12,369,902) | \$ (2,734,188)  |
| Revenue Less Admin/Transfer <sup>(2)(8)(9)</sup>   | 1,250,169      | 4,497,639      | 11,368,121     | 2,020,892    | 3,657,898    | 2,299,355    | 1,714,934    | 2,351,390      | 3,294,294       | 3,502,063       | 2,175,248       | 3,315,957       | 41,447,958      |
| Admin Service/Transfers In <sup>(3)</sup>  | 1,050,000      | -              | 400,000        | -            | -            | 174,760      | -            | 668,653        | 668,653         | 668,653         | 668,653         | 668,653         | 4,968,024       |
| Sub-Total Sources  | \$ (434,019)   | \$ 1,576,360   | \$ 10,053,424  | \$ 7,347,589 | \$ 7,001,934 | \$ 4,609,584 | \$ 3,357,589 | \$ 3,863,577   | \$ (2,838,635)  | \$ (5,844,632)  | \$ (8,738,652)  | \$ (8,385,292)  | 43,681,795      |
| Less:  |                |                |                |              |              |              |              |                |                 |                 |                 |                 |                 |
| Payroll <sup>(4)</sup>   | \$ 1,991,341   | \$ 1,898,668   | \$ 3,003,296   | \$ 2,210,319 | \$ 1,901,269 | \$ 1,894,732 | \$ 2,003,743 | \$ 2,980,674   | \$ 1,987,116    | \$ 1,987,116    | \$ 1,987,116    | \$ 1,987,116    | 25,832,505      |
| Health Insurance <sup>(5)</sup>  | (4,322)        | 634,269        | 199,285        | 427,730      | 1,579,022    | 574,217      | (6,978)      | 1,100,740      | 1,100,740       | 1,100,740       | 1,100,740       | 1,100,740       | 8,906,924       |
| General Expense (All Other) <sup>(6)</sup>   | 565,704        | 758,121        | 873,569        | 1,193,650    | 109,205      | 491,989      | 717,981      | 938,480        | 618,858         | 2,294,800       | 320,396         | 2,148,929       | 11,031,680      |
| Sub-Total Uses   | \$ 2,552,723   | \$ 3,291,058   | \$ 4,076,149   | \$ 3,831,699 | \$ 3,589,496 | \$ 2,960,937 | \$ 2,714,745 | \$ 5,019,894   | \$ 3,706,714    | \$ 5,382,656    | \$ 3,408,252    | \$ 5,236,785    | \$ 45,771,109   |
| Est. Resources Available for Debt Service  | \$ (2,986,743) | \$ (1,714,697) | \$ 5,977,274   | \$ 3,515,890 | \$ 3,412,438 | \$ 1,648,647 | \$ 642,843   | \$ (1,156,317) | \$ (6,545,349)  | \$ (11,227,289) | \$ (12,146,904) | \$ (13,622,077) | \$ (2,089,314)  |
| Debt Service:  |                |                |                |              |              |              |              |                |                 |                 |                 |                 |                 |
| City Debt Payments <sup>(7)</sup>  | \$ (65,464)    | \$ -           | \$ 650,577     | \$ 171,855   | \$ 1,276,969 | \$ 5,992     | \$ (200,691) | \$ 5,645,264   | \$ 3,469,999    | \$ 355,264      | \$ 222,998      | \$ (47,985)     | \$ 11,484,777   |
| THA Debt Payments*   | -              | -              | -              | -            | -            | -            | -            | -              | -               | -               | -               | -               | -               |
| Total Debt Service   | \$ (65,464)    | \$ -           | \$ 650,577     | \$ 171,855   | \$ 1,276,969 | \$ 5,992     | \$ (200,691) | \$ 5,645,264   | \$ 3,469,999    | \$ 355,264      | \$ 222,998      | \$ (47,985)     | \$ 11,484,777   |
| Surplus/(Deficit)  | \$ (2,921,279) | \$ (1,714,697) | \$ 5,326,697   | \$ 3,344,036 | \$ 2,135,469 | \$ 1,642,655 | \$ 843,534   | \$ (6,801,581) | \$ (10,015,348) | \$ (11,582,553) | \$ (12,369,902) | \$ (13,574,092) | \$ (13,574,092) |
| 2009 Ending Cash Balance (comparison)  | \$ 5,387,600   | \$ 4,873,534   | \$ 7,245,118   | \$ 4,194,317 | \$ 5,409,555 | \$ 4,125,253 | \$ 4,243,958 | \$ 4,113,280   | \$ 2,629,381    | \$ (117,746)    | \$ 117,815      | \$ 1,527,333    |                 |
| 2010 Ending Cash Balance (comparison)  | \$ 887,371     | \$ 2,752,706   | \$ 422,020     | \$ 6,029,955 | \$ 2,755,070 | \$ 1,863,945 | \$ (298,568) | \$ 952,699     | \$ 164,427      | \$ (68,298)     | \$ 827,168      | \$ (1,153,040)  |                 |
| 2011 Ending Cash Balance (comparison)  | \$ (115,220)   | \$ 1,650,763   | \$ 3,630,306   | \$ 2,459,402 | \$ 2,217,799 | \$ 1,944,659 | \$ 679,768   | \$ 1,756,678   | \$ 4,463,814    | \$ 2,502,589    | \$ 991,030      | \$ 1,171,917    |                 |
| *Assumes the City will not make any guarantee payments on behalf of THA for the 2012 year. |                |                |                |              |              |              |              |                |                 |                 |                 |                 |                 |
| Required Debt Serv Res Fund Pymts  | -              | -              | -              | -            | -            | -            | -            | -              | -               | -               | -               | -               | -               |
| Req Debt Serv Res Fd Pymts/County  | -              | -              | -              | -            | -            | -            | -            | -              | -               | -               | -               | -               | -               |
| County Gauranteed Payments   | -              | -              | -              | -            | -            | -            | -            | -              | -               | -               | -               | -               | -               |
| Gross Debt Service:  |                |                |                |              |              |              |              |                |                 |                 |                 |                 |                 |
| Capitalized Lease Obligation   | -              | -              | 352,836        | 357,858      | -            | -            | -            | 355,264        | -               | 355,264         | -               | -               | 1,421,222       |
| G.O. Refunding Bonds - Series D of 1997 <sup>(10)</sup>                                    | -              | -              | -              | -            | -            | -            | -            | 2,735,000      | 1,765,000       | -               | -               | -               | 4,500,000       |
| G.O. Refunding Notes - Series F of 1997 <sup>(10)</sup>                                    | -              | -              | -              | -            | -            | -            | -            | 2,530,000      | 1,635,000       | -               | -               | -               | 4,165,000       |
| 2008 PIB Loan \$2,400,000.00   | -              | -              | 297,742        | -            | -            | -            | -            | -              | -               | -               | -               | -               | 297,742         |
| HRA Guar. Revenue Note (TRAN)  | -              | -              | -              | -            | 821,584      | -            | -            | -              | -               | -               | 27,575          | -               | 849,159         |
| HRA Guarr. Rev. Bonds-Ser A-2 of 2005  | -              | -              | -              | -            | 461,382      | -            | -            | -              | -               | -               | 195,423         | -               | 656,805         |
| DCED Loan  | -              | -              | -              | -            | -            | -            | -            | 25,000         | -               | -               | -               | -               | 25,000          |
| PA Infrastructure Bank 2004 Loans  | -              | -              | -              | -            | -            | -            | -            | -              | 69,999          | -               | -               | -               | 69,999          |
| 2012 Debt Service Fund Revenue <sup>(7)</sup>  | (65,464)       | -              | (2)            | (186,004)    | (5,997)      | 5,992        | (200,691)    | -              | -               | -               | -               | (47,985)        | (500,150)       |
| General Fund Debt Service Transfers  | (65,464)       | -              | 650,577        | 171,855      | 1,276,969    | 5,992        | (200,691)    | 5,645,264      | 3,469,999       | 355,264         | 222,998         | (47,985)        | 11,484,777      |

- (1) December 2011 ending cash balance from General Fund Cash Flow Analysis Report used as January 2012 beginning cash balance. The cash balances from the city's financial management system have not been reconciled to the bank statements.
- (2) Projections represent 2011 actual monthly General Fund revenue (excluding one-time revenue sources related to HPA debt service proceeds and pension system state aid) less 2011 administrative service charges, interfund transfers, and Harrisburg Parking Authority (HPA) Coordinated Parking Fund (CPF) transfers.
- (3) Projections based on 2012 budgeted administrative service charges, interfund transfers, and HPA-CPF transfers totaling \$5,814,641 less \$846,617 prepaid in 2011 (Water Fund and Sewer Fund administrative service charge were reduced to \$833,960 and \$846,131, respectively).
- (4) Projections based on average actual payroll for Jan-Jul 2012.
- (5) Projections based on 2011 actual year-end health benefit payments of \$8,906,924, charged to account code 01010188-419002.
- (6) Projections represent 2011 actual monthly General Fund expenditures (excluding one-time expenditures related to pension payments in excess of city's 2011 MMO).
- (7) The City's 2012 Debt Service Fund budget includes \$500,150 of revenue to offset the Transfers to Debt Service Fund line item in the General Fund.
- (8) Projected revenue for October includes an additional \$2.0 million from the state for fire protection (\$2,497,000 total).
- (9) Projected revenue includes an additional \$1.13 million of real estate tax revenue from a .8 mill real estate tax increase.
- (10) The Receiver did not make the March 15, 2012 debt service payment (\$5,265,000) on the city's General Obligation Bonds and Notes Series D & F of 1997 in order to maintain essential services. The obligation is being reflected in successive months.