

INTER-OFFICE MEMORANDUM

CITY OF HARRISBURG

October 16, 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 September 30, 2012. Several items of significance regarding the reports are as follows:

1. The 2012 projected year-end cash deficit is \$14.20 million. This is calculated as follows: Projected revenues and transfers of \$45.92 million less projected operating expenditures of \$45.90 million and debt service expenditures of \$11.48 million. This results in a 2012 projected deficit of \$11.47 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. Total fire protection proceeds of \$2.5 million were received in August. Projections are replaced with actual 2012 data as it becomes available. Actual data is currently represented through September 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 \$45.92 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 60% of the projected 2012 expenditures. General expenses represent approximately 20% of the projected General Fund expenditures, or \$11.27 million.
6. The city defaulted on the March 15, 2012 and September 15, 2012 debt service payments 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 2012 General Fund Cash Flow	ACTUAL									PROJECTED			Total
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Beginning Cash Balance ⁽¹⁾	\$ (2,734,188)	\$ (2,921,279)	\$ (1,714,697)	\$ 5,326,697	\$ 3,344,036	\$ 2,135,469	\$ 1,642,655	\$ 843,534	\$ (165,881)	\$ (2,133,386)	\$ (9,899,488)	\$ (10,831,345)	\$ (2,734,188)
Revenue Less Admin/Transfer ⁽²⁾⁽⁹⁾⁽¹¹⁾	1,250,169	4,497,639	11,368,121	2,020,892	3,657,898	2,299,355	1,714,934	3,903,593	1,177,208	4,062,500	2,175,248	2,819,957	40,947,514
Admin Service/Transfers In ⁽³⁾	1,050,000	-	400,000	-	-	174,760	-	250,000	-	1,031,088	1,031,088	1,031,088	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	\$ 4,997,127	\$ 1,011,327	\$ 2,960,202	\$ (6,693,152)	\$ (6,980,300)	43,181,350
Less:													
Payroll ⁽⁴⁾	\$ 1,991,341	\$ 1,898,668	\$ 3,003,296	\$ 2,210,319	\$ 1,901,269	\$ 1,894,732	\$ 2,003,743	\$ 2,974,437	\$ 1,912,819	\$ 1,979,062	\$ 1,979,062	\$ 1,979,062	25,727,811
Health Insurance ⁽⁵⁾	(4,322)	634,269	199,285	427,730	1,579,022	574,217	(6,978)	1,587,940	849,331	1,022,143	1,022,143	1,022,143	8,906,924
General Expense (All Other) ⁽⁶⁾⁽¹¹⁾	565,704	758,121	873,569	1,193,650	109,205	491,989	717,981	600,631	382,563	743,221	558,726	4,270,830	11,266,189
Sub-Total Uses	\$ 2,552,723	\$ 3,291,058	\$ 4,076,149	\$ 3,831,699	\$ 3,589,496	\$ 2,960,937	\$ 2,714,745	\$ 5,163,008	\$ 3,144,713	\$ 3,744,427	\$ 3,559,932	\$ 7,272,036	\$ 45,900,924
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	\$ (165,881)	\$ (2,133,386)	\$ (784,225)	\$ (10,253,084)	\$ (14,252,336)	\$ (2,719,574)
Debt Service:													
City Debt Payments ⁽⁷⁾	\$ (65,464)	\$ -	\$ 650,577	\$ 171,855	\$ 1,276,969	\$ 5,992	\$ (200,691)	\$ -	\$ -	\$ 9,115,263	\$ 578,262	\$ (47,985)	\$ 11,484,777
THA Debt Payments*	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service	\$ (65,464)	\$ -	\$ 650,577	\$ 171,855	\$ 1,276,969	\$ 5,992	\$ (200,691)	\$ -	\$ -	\$ 9,115,263	\$ 578,262	\$ (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	\$ (165,881)	\$ (2,133,386)	\$ (9,899,488)	\$ (10,831,345)	\$ (14,204,351)	\$ (14,204,351)
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 ⁽¹⁰⁾	-	-	-	-	-	-	-	-	-	4,500,000	-	-	4,500,000
G.O. Refunding Notes - Series F of 1997 ⁽¹⁰⁾	-	-	-	-	-	-	-	-	-	4,165,000	-	-	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 ⁽⁷⁾	(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)	-	-	9,115,263	578,262	(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-Sep 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) Actual revenue for August includes an additional \$2.0 million from the state for fire protection (\$2,500,000 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 and September 15, 2012 debt service payments (\$5,265,000 and \$3,400,000 respectively) 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.
- (11) October projected revenue includes Pension System State Aid in the amount of \$2,560,437, which must be desposited into the city's pension plans by 12/31/12. An equal expenditure has therefore been included in December General Expenses.