

## CITY CASH MANAGEMENT AND INVESTMENT POLICIES

### General Fund Cash Flow

Due to the fact that the receipt of revenues into the General Fund generally lag behind expenditures from the General Fund during each Fiscal Year, the City issues notes in anticipation of General Fund revenues, such as the Notes, and makes payments from the Consolidated Cash Account (described below) to finance its on-going operations. The City has issued, or PICA has issued on behalf of the City, tax and revenue anticipation notes in each Fiscal Year since Fiscal Year 1972. Each issue was repaid when due, prior to the end of the respective Fiscal Year. The City issued \$130 million of tax and revenue anticipation notes on November 25, 2014, which matured on June 30, 2015.

The timing imbalance referred to above results from a number of factors, principally the following: (i) real property taxes, business income and receipts taxes, and certain other taxes are not due until the latter part of the Fiscal Year; and (ii) the City experiences lags in reimbursement from other governmental entities for expenditures initially made by the City in connection with programs funded by other governments.

Table 1 shows information related to the City's tax and revenue anticipation notes issued in Fiscal Years 2011-2015.

**Table 1**  
**City of Philadelphia**  
**Notes Issued in Anticipation of Receipt of Income by General Fund**  
**Fiscal Years 2011-2015**  
**(Amount in millions)**

	2011	2012	2013	2014	2015
Total Authorized Tax and Revenue Anticipation Notes <sup>(1)</sup>	\$285.00	\$173.00	\$127.00	\$100.00	\$130.00
Total Additional Notes Authorized	\$50.00	\$50.00	N/A	N/A	N/A
Maximum Amount Outstanding at any time during Fiscal Year	\$285.00	\$173.00	\$127.00	\$100.00	\$130.00
Amount Outstanding at end of Fiscal Year	0.0	0.0	0.0	0.0	0.0
Maximum Amount Outstanding as a Percentage of General Fund Revenues	7.38%	4.82%	3.43%	2.63%	3.43% <sup>(2)</sup>

(1) Amount represents General Fund borrowing.

(2) Percentage based on estimated General Fund revenues in the Revised Twenty-Fourth Five-Year Plan (as defined in APPENDIX A hereto).

## **Consolidated Cash**

The Act of the General Assembly of June 25, 1919 (Pa. P.L. 581, No. 274, Art. XVII, § 6) authorizes the City to make temporary inter-fund loans between certain operating and capital funds. The City maintains a Consolidated Cash Account for the purpose of pooling the cash and investments of all City funds, except those which, for legal or contractual reasons, cannot be commingled (e.g., the Municipal Pension Fund, sinking funds, sinking fund reserves, funds of the Philadelphia Gas Works, the Aviation Fund, the Water Fund, and certain other restricted purpose funds). A separate accounting is maintained to record the equity of each member fund that participates in the Consolidated Cash Account. For more information on the City's management of the Consolidated Cash Account, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Consolidated Cash."

## **Investment Practices**

Cash balances in each of the City's funds are managed to maintain daily liquidity to pay expenses, and to make investments that preserve principal while striving to obtain the maximum rate of return. In accordance with the City Charter, the City Treasurer is the City official responsible for managing cash collected into the City Treasury. The available cash balances in excess of daily expenses are placed in demand accounts, swept into money market mutual funds, or used to make investments directed by professional investment managers. These investments are held in segregated trust accounts at a separate financial institution. Cash balances related to revenue bonds for water and sewer and the airport are directly deposited and held separately in trust. A fiscal agent manages these cash balances per the related bond documents and the investment practice is guided by administrative direction of the City Treasurer per the Investment Committee and the Investment Policy (as described below). In addition, certain operating cash deposits (such as Community Behavioral Health, Special Gas/County Liquid and "911" surcharge) of the City are restricted by purpose and required to be segregated into accounts in compliance with federal or Commonwealth reporting. Investment guidelines for the City are embodied in § 19-202 of the Philadelphia Code. For more information on the City's investment guidelines and policies, see APPENDIX A – "CITY CASH MANAGEMENT AND INVESTMENT POLICIES – Investment Practices."

## **Cash Flow Projections**

Tables 2-5 set forth the City's projected cash flow results for Fiscal Years 2015 and 2016, which include projections as of June 30, 2015. Such projected cash flow results reflect modestly higher General Fund balances than those included in the Revised Twenty-Fourth Five-Year Plan (as defined in APPENDIX A), which include projections as of May 31, 2015. Tables 2-5 were prepared by the City's Office of Budget and Program Evaluation, and for purposes of the projections include adjustments made by that office to take into account revenues anticipated to be received and expenses scheduled to be paid or anticipated to be paid. As such, at any point in time, there may be a difference between actual operating cash on deposit and investments and what the tables reflect as "Total Fund Equity." For example, Table 3 shows a projected Total Fund Equity as of June 30, 2015 of \$369.5 million, while the City's Treasury Operations show a bank balance on June 30, 2015, of approximately \$210.1 million and an investment balance of approximately \$142.9 million, for an aggregate of approximately \$353.0 million. For purposes of indicating the overall financial position of the City, the City does not believe these differences to be material.