City of San Bernardino
General Fund Financial Projections
Fiscal Years 2010 to 2015

General Overview:

Effective businesses must continually analyze operations and develop financial plans that address the short term, mid-range, and long-term time frames. This type of analysis is critical for an organization to maintain its financial strength and stability. A financial analysis that reinforces a long-range focus allows an organization to systematically identify, plan and achieve goals within its available financial resources.

A long range financial focus becomes even more critical in the face of the devastating economic decline that our country has faced since the fall of 2008. Our city has had to respond to changing financial conditions in a manner and speed that is unprecedented. The stock market incurred record losses, housing values experienced steep declines, the foreclosure rate skyrocketed and unemployment rates dramatically escalated. The State of California continues to wrestle with multi-billion dollar deficits and the national, state and regional economy is still volatile and unstable.

In response to this economic tailspin, the City has depleted most of its financial reserves and has been forced to balance its budget on a year to year basis using one time resources, employee 10% concessions, and loans. In order to gain financial stability, a long range financial projection is being presented for the City's General Fund. The projections cover six fiscal years beginning with the current Fiscal Year 2009-2010 and goes out to Fiscal Year 2014-2015. Detailed below are the main financial assumptions and analysis that were used to prepare a best, most likely and worse case scenario for the City's General Fund.

Fiscal Year 2009-2010:

On August 17, 2009 the City adopted its final budget for FY 2009-2010 that included 10% employee concessions, a loan from EDA, and one time property sales to help balance the budget. As the economic conditions continued to decline, the City had an additional $4.9 million budget short fall to address at the first quarter budget review. In the Mid-Year report an additional budget short fall had to be addressed in the amount of approximately $3.4 million.

In order to address these continued economy driven budget short falls, the FY 2009-2010 budget includes approximately $13 million of one time, non-recurring items. Listed below is a summary those major non-recurring budget balancing measures; none of these measures have been included in the 5 year financial projections starting with FY 2010-2011.

1. $2 million of revenue from sale from property to EDA and the County.
2. $2.6 million of one time revenue identified through various audits and analysis of City funds
3. $2.9 million from one time loans from EDA and City Regional Development Impact Fee Fund
4. $.5million of available fund balance from various Internal Service Funds
5. $5 million from employee MOU concessions that end 6/30/10

Revenue Assumptions:

After deducting the various one-time revenue items from the FY 2009-2010 budget, the 5 year projection model employs a range of assumptions as to how revenues will perform. These assumptions were placed into three categories of projections which included best case, most likely and worst case. The following provides the percent change in revenues that was assumed in each of the scenarios.

	Best Case	Most Likely	Worst Case
FY10-11	-.5%	-1%	-2.5%
FY11-12	.5%	-1%	-1.5%
FY12-13	1%	1%	1%
FY13-14	2%	1.5%	1%
FY14-15	3%	2%	1.5%

Expenditure Assumptions:

Unlike revenues that had different assumptions for each of the three financial scenarios, the expenditure assumptions are the same for each scenario. The expenditure assumptions used in all the financial projections assume that everything authorized in the FY 2009-2010 adopted budget will continue into the future. For example, the same number of authorized positions, using the current pay scale, was assumed. Also assumed in the financial projections were the same operating Departments doing the same amount and type of work.

Items that have not yet been included in the 5 year financial projection at this point is a plan to replenish the General Fund Reserve, funds for the replacement of old and out dated equipment/facility items, costs to implement the IT Strategic Plan, and set aside funds to cover such expenses as pay off costs of vacation, sick, and holiday time when employees terminate. It is assumed these costs will continue to be funded from savings generated by keeping positions vacant. Once the economy and City budget begin to stabilize, these items need to be added into the financial projections.

In order to be as accurate as possible on future year's projections, the expenditures were broken down into various budget expenditure categories. The following provides a brief explanation of the content and assumptions for each of the categories.

Salaries:

1. 10% MOU concessions were not assumed to continue beyond FY 2009-2010. These concessions saved the City approximately $5 million annually.
2. Charter 186 salary increases for Safety were calculated at about 3% each year with a small additional amount assumed each year for step increases.
3. Sixteen additional Police positions from the COPS Rehiring Grant were added into the projections starting in FY 2009-2010. Grant credits were also included to

reflect grant funds paying for the additional 16 positions through the first six months of FY 2012-2013. It has been assumed that all 16 positions will be retained by the City after the grant credits end, as a result in FY 2012-2013 there is an additional $1 million for these positions and $2.2 million in FY 2013-2014 and beyond.

4. For FY 2010-2011 and all future years it has been assumed that SB621 Indian Gaming Grant Funds will not be received. This assumption increased Police Safety salaries for the General Fund by $961,200.
5. For all other non-safety positions, a small increase has been included each year for step increases. No additional salary increases resulting from MOU negotiations were assumed.
6. Special Pays are all assumed to stay constant with no major changes. The major items included in this category are auto allowances, uniform allowances for Safety, and education incentive pay for Safety.
7. Part-Time salaries were assumed to have a slight increase each year due to step increases and possible minimum wage adjustments.
8. Overtime costs were assumed to increase each year due to Safety Charter 186 pay increases. Approximately $6.7 million of the $6.9 million overtime budget is spent in the Police and Fire Departments and all but a very small part is paid to the Safety employees in those Departments.

Retirement:

1. Since the City has two separate PERS plans, one for Safety employees and one for all other employees (Miscellaneous employees), the costs have been broken down into these two categories.
2. PERS provided the City with their best estimate as to what the PERS rates would be in future years for both plans.
3. After FY 2010-2011 the PERS rates for both plans start to increase by large amounts until FY 2014-2015. The Safety rate increases about 4% per year and the Miscellaneous rate increases about 3% per year. These large rate increases are needed to off set the major investment losses that PERS had during the economic down turn.
4. Included in the Safety retirement numbers is the $3 million payment for the Safety Pension Obligation Bonds that the City sold in order to fund some of the Safety PERS unfunded liability costs.

Other Personnel Costs:

1. City Paid Health Costs include health costs the City currently pays for all employees and retirees.
2. The City currently budgets about $450,000 per year for retiree health costs. For most employees the City follows the PERS policy and currently contributes the minimum amount of about $105/month to retiree health costs. Each year this amount increases by a CPI-Medical Component and for FY 2010-2011 it will increase to $108/month according to PERS.
3. City Health cost for current employees are assumed to increase each year for those bargaining units that have their city contribution tied to the Kaiser rate. For those groups that have a flat monthly contribution from the City, no increase has been assumed.
4. Currently, Safety employees can also receive a higher City contribution to their retiree health costs if they have received enough service years with the City as

negotiated in the current Memorandum of Understanding. These added costs would also be covered by the annual projected increases in this category.

5. Other taxes the City is required to pay are the Unemployment Tax and Medicare Tax. The City only pays its share of these costs and the employee is responsible for his or her share.

Other Operational Costs:
For Maintenance & Operations costs, Contractual, Internal Service Charges, and Capital Outlay a 2% increase has been factored into each year. This increase is to cover any price increases or replacement costs for current items.

Debt Service Charges are assumed to stay about the same. The Safety Pension Obligation Bond costs are not included here as they are included with the Safety Retirement costs discussed above. The remaining major debt charges currently budgeted and paid by the City are:

1. City Hall Building $1 million per year.
2. Fire Equipment Leases and Fire Station Lease about $900,000 per year
3. HUB project debt payment $150,000 per year

Budgeted Expenditure Savings:
The estimated budgeted expenditure savings each year after FY 2009-2010 is $1 million. FY 2009-2010 is anticipated to have a much higher expenditure savings than $1 million due to some positions being kept vacant to help balance the budget and some positions simply being filled slower than originally anticipated; however these savings can not be assumed for future years.

Transfers:
Transfers Out is estimated to stay about the same with about a 2% increase. It is also assumed that the General Fund will resume appropriating approximately $300,000 per year into Fleet for vehicle replacement. Also assumed is that the Cultural Development Fund will no longer continue to fund $250,000 a year for some of the cultural activities at the Library; the assumption is that the General Fund will pay for all these costs.

Summary:

Based on all the assumptions discussed above, for FY 2010-2011 the City is projected to have revenues short of expenditures by about $23.7 million under the best scenario, $24.3 million under the most likely scenario and $26.2 million under the worst case scenario. All of these scenarios assume the current budget reserve of just under $1.8 million remains untouched. Without additional revenues over the current projections, the City will have to either reduce its total expenditures by about 15-17% or reduce its labor costs by 20-22% in order to bring the FY 2010-2011 budget into balance.

Exhibit 1

City of San Bernardino
General Fund Financial Projection Best Case

	Updated 2009-2010	Projected 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015
Beginning Fund Balance	$ 2,557,900	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400
Estimated Revenue:						
Property Taxes	29,517,000	29,367,000	29,517,000	29,812,100	30,408,300	31,320,500
Sales Taxes	21,499,000	21,389,000	21,499,000	21,714,000	22,148,300	22,812,700
Utility Users Taxes	22,565,900	22,453,000	22,565,900	22,792,000	23,247,800	23,945,200
Measure Z District Tax	5,250,000	5,225,000	5,250,000	5,302,500	5,408,600	5,570,800
Other Taxes	5,532,000	5,500,000	5,532,000	5,587,300	5,699,000	5,870,000
Total Taxes	**84,363,900**	**83,934,000**	**84,363,900**	**85,207,900**	**86,912,000**	**89,519,200**
Licenses and Permits	8,072,500	8,032,000	8,072,500	8,153,200	8,316,300	8,565,800
Fines and Penalties	3,521,900	3,500,000	3,521,900	3,557,100	3,628,200	3,737,000
Use of Money & Property	2,713,700	730,000	770,600	778,300	793,800	817,700
Intergovernmental	7,088,800	7,050,000	7,088,800	7,160,000	7,303,200	7,522,300
Charges for Services	6,068,300	6,038,000	6,068,300	6,129,000	6,251,600	6,439,100
Miscellaneous	7,469,400	4,845,100	4,869,300	4,918,000	5,016,300	5,166,800
Transfers In/Loan Proceeds	15,534,900	12,000,000	12,114,200	12,235,300	12,480,000	12,854,400
Total Other Revenues	**50,469,500**	**42,195,100**	**42,505,600**	**42,930,900**	**43,789,400**	**45,103,100**
Total Estimated Revenues	**134,833,400**	**126,129,100**	**126,869,500**	**128,138,800**	**130,701,400**	**134,622,300**
Expenditures:						
Salaries:						
Full Time	67,222,400	75,482,000	77,987,000	81,305,200	84,826,400	84,887,000
Part-Time	1,856,200	1,875,000	1,900,000	1,925,000	1,950,000	1,975,000
Special Pays	1,463,800	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Overtime	6,935,500	7,500,000	8,000,000	8,400,000	8,800,000	9,200,000
Subtotal Salaries	**77,477,900**	**86,357,000**	**89,387,000**	**93,130,200**	**97,076,400**	**97,562,000**
Retirement:						
Safety Retirement	14,278,000	15,000,000	16,775,000	19,600,000	22,700,000	23,700,000
Miscellaneous Retirement	5,139,800	5,500,000	6,000,000	6,700,000	7,500,000	7,600,000
Subtotal Retirement Costs	**19,417,800**	**20,500,000**	**22,775,000**	**26,300,000**	**30,200,000**	**31,300,000**
Other Personnel Costs:						
City Paid Health Costs	8,912,000	9,200,000	9,400,000	9,800,000	10,200,000	10,600,000
Misc. Other Taxes	1,257,900	1,281,800	1,324,800	1,364,400	1,404,000	1,443,500
Subtotal Other Personnel	**10,169,900**	**10,481,800**	**10,724,800**	**11,164,400**	**11,604,000**	**12,043,500**
Maintenance & Operation	5,457,100	5,566,200	5,677,500	5,791,000	5,906,800	6,025,000
Contractual Services	7,039,600	7,180,400	7,324,000	7,470,500	7,620,000	7,772,400
Internal Service Charges	13,539,100	13,810,000	14,086,200	14,367,900	14,655,300	14,948,400
Capital Outlay	758,200	773,400	788,900	804,700	820,800	837,200
Debt Service Charges	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600
Loan Repayments	-	1,308,700	1,629,400	-	-	-
Est. Expenditure Savings Factor	(2,680,400)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Transfers Out	2,182,100	2,600,000	2,652,000	2,705,000	2,759,100	2,814,300
Total Estimate Expenditures	$ 135,620,900	$ 149,837,100	$ 156,304,400	$ 162,993,300	$ 171,902,000	$ 174,562,400
Revenue Over(Under) Expenses	(787,500)	(23,708,000)	(29,434,900)	(34,854,500)	(41,200,600)	(39,940,100)
Reserve Fund Balance	$ 1,770,400	$ (21,937,600)	$ (27,664,500)	$ (33,084,100)	$ (39,430,200)	$ (38,169,700)
FB as a % of Expenditures	1.31%	-14.64%	-17.70%	-20.30%	-22.94%	-21.87%
Debt Serv as % of Expenditures	1.67%	1.51%	1.45%	1.39%	1.31%	1.29%

Exhibit 1

City of San Bernardino
General Fund Financial Projection Most Likely Case

	Updated 2009-2010	Projected 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015
Beginning Fund Balance	$ 2,557,900	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400
Estimated Revenue:						
Property Taxes	29,517,000	29,221,800	28,930,000	29,219,300	29,658,600	30,251,800
Sales Taxes	21,499,000	21,284,000	21,071,100	21,281,200	21,600,400	22,032,400
Utility Users Taxes	22,565,900	22,340,200	22,116,800	22,338,000	22,673,000	23,126,500
Measure Z District Tax	5,250,000	5,197,500	5,145,500	5,197,000	5,274,900	5,380,400
Other Taxes	5,532,000	5,476,700	5,421,900	5,476,100	5,558,200	5,669,400
Total Taxes	**84,363,900**	**83,520,200**	**82,685,300**	**83,511,600**	**84,765,100**	**86,460,500**
Licenses and Permits	8,072,500	7,991,800	7,911,900	7,991,000	8,110,900	8,273,100
Fines and Penalties	3,521,900	3,486,700	3,451,800	3,486,100	3,538,900	3,610,000
Use of Money & Property	2,713,700	725,000	717,800	725,000	735,900	750,600
Intergovernmental	7,088,800	7,018,000	6,947,800	7,017,300	7,122,600	7,265,100
Charges for Services	6,068,300	6,007,600	5,947,500	6,007,000	6,097,100	6,219,000
Miscellaneous	7,469,400	4,820,700	4,772,500	4,820,200	4,892,500	4,990,400
Transfers In/Loan Proceeds	15,534,900	11,933,500	11,814,500	11,932,600	12,111,600	12,353,800
Total Other Revenues	**50,469,500**	**41,983,300**	**41,563,800**	**41,979,200**	**42,609,500**	**43,462,000**
Total Estimated Revenues	**134,833,400**	**125,503,500**	**124,249,100**	**125,490,800**	**127,374,600**	**129,922,500**
Expenditures:						
Salaries:						
Full Time	67,222,400	75,482,000	77,987,000	81,305,200	84,826,400	84,887,000
Part-Time	1,856,200	1,875,000	1,900,000	1,925,000	1,950,000	1,975,000
Special Pays	1,463,800	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Overtime	6,935,500	7,500,000	8,000,000	8,400,000	8,800,000	9,200,000
Subtotal Salaries	**77,477,900**	**86,357,000**	**89,387,000**	**93,130,200**	**97,076,400**	**97,562,000**
Retirement:						
Safety Retirement	14,278,000	15,000,000	16,775,000	19,600,000	22,700,000	23,700,000
Miscellaneous Retirement	5,139,800	5,500,000	6,000,000	6,700,000	7,500,000	7,600,000
Subtotal Retirement Costs	**19,417,800**	**20,500,000**	**22,775,000**	**26,300,000**	**30,200,000**	**31,300,000**
Other Personnel Costs:						
City Paid Health Costs	8,912,000	9,200,000	9,400,000	9,800,000	10,200,000	10,600,000
Misc. Other Taxes	1,257,900	1,281,800	1,324,800	1,364,400	1,404,000	1,443,500
Subtotal Other Personnel	**10,169,900**	**10,481,800**	**10,724,800**	**11,164,400**	**11,604,000**	**12,043,500**
Maintenance & Operation	5,457,100	5,566,200	5,677,500	5,791,000	5,906,800	6,025,000
Contractual Services	7,039,600	7,180,400	7,324,000	7,470,500	7,620,000	7,772,400
Internal Service Charges	13,539,100	13,810,000	14,086,200	14,367,900	14,655,300	14,948,400
Capital Outlay	758,200	773,400	788,900	804,700	820,800	837,200
Debt Service Charges	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600
Loan Repayments	-	1,308,700	1,629,400	-	-	-
Est. Expenditure Savings Factor	(2,680,400)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Transfers Out	2,182,100	2,600,000	2,652,000	2,705,000	2,759,100	2,814,300
Total Estimate Expenditures	$ 135,620,900	$ 149,837,100	$ 156,304,400	$ 162,993,300	$ 171,902,000	$ 174,562,400
Revenue Over(Under) Expenses	(787,500)	(24,333,600)	(32,055,300)	(37,502,500)	(44,527,400)	(44,639,900)
Reserve Fund Balance	$ 1,770,400	$ (22,563,200)	$ (30,284,900)	$ (35,732,100)	$ (42,757,000)	$ (42,869,500)
FB as a % of Expenditures	1.31%	-15.06%	-19.38%	-21.92%	-24.87%	-24.56%
Debt Serv as % of Expenditures	1.67%	1.51%	1.45%	1.39%	1.31%	1.29%

Exhibit 1

City of San Bernardino
General Fund Financial Projection Worst Case

	Updated 2009-2010	Projected 2010-2011	Projected 2011-2012	Projected 2012-2013	Projected 2013-2014	Projected 2014-2015
Beginning Fund Balance	$ 2,557,900	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400	$ 1,770,400
Estimated Revenue:						
Property Taxes	29,517,000	28,779,100	28,347,400	28,630,900	28,917,200	29,350,900
Sales Taxes	21,499,000	20,961,500	20,647,100	20,853,600	21,062,100	21,378,000
Utility Users Taxes	22,565,900	22,001,800	21,671,800	21,888,500	22,107,400	22,439,000
Measure Z District Tax	5,250,000	5,118,800	5,042,000	5,092,400	5,143,300	5,220,500
Other Taxes	5,532,000	5,393,700	5,312,800	5,365,900	5,419,600	5,500,900
Total Taxes	**84,363,900**	**82,254,900**	**81,021,100**	**81,831,300**	**82,649,600**	**83,889,300**
Licenses and Permits	8,072,500	7,870,700	7,752,600	7,830,100	7,908,400	8,027,100
Fines and Penalties	3,521,900	3,433,900	3,382,400	3,416,200	3,450,400	3,502,100
Use of Money & Property	2,713,700	695,900	685,500	692,400	699,300	709,800
Intergovernmental	7,088,800	6,911,600	6,807,900	6,876,000	6,944,700	7,048,900
Charges for Services	6,068,300	5,916,600	5,827,900	5,886,200	5,945,000	6,034,200
Miscellaneous	7,469,400	4,747,700	4,676,500	4,723,300	4,770,500	4,842,000
Transfers In/Loan Proceeds	15,534,900	11,794,400	11,617,500	11,733,700	11,851,000	12,028,800
Total Other Revenues	**50,469,500**	**41,370,800**	**40,750,300**	**41,157,900**	**41,569,300**	**42,192,900**
Total Estimated Revenues	**134,833,400**	**123,625,700**	**121,771,400**	**122,989,200**	**124,218,900**	**126,082,200**
Expenditures:						
Salaries:						
Full Time	67,222,400	75,482,000	77,987,000	81,305,200	84,826,400	84,887,000
Part-Time	1,856,200	1,875,000	1,900,000	1,925,000	1,950,000	1,975,000
Special Pays	1,463,800	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Overtime	6,935,500	7,500,000	8,000,000	8,400,000	8,800,000	9,200,000
Subtotal Salaries	**77,477,900**	**86,357,000**	**89,387,000**	**93,130,200**	**97,076,400**	**97,562,000**
Retirement:						
Safety Retirement	14,278,000	15,000,000	16,775,000	19,600,000	22,700,000	23,700,000
Miscellaneous Retirement	5,139,800	5,500,000	6,000,000	6,700,000	7,500,000	7,600,000
Subtotal Retirement Costs	**19,417,800**	**20,500,000**	**22,775,000**	**26,300,000**	**30,200,000**	**31,300,000**
Other Personnel Costs:						
City Paid Health Costs	8,912,000	9,200,000	9,400,000	9,800,000	10,200,000	10,600,000
Misc. Other Taxes	1,257,900	1,281,800	1,324,800	1,364,400	1,404,000	1,443,500
Subtotal Other Personnel	**10,169,900**	**10,481,800**	**10,724,800**	**11,164,400**	**11,604,000**	**12,043,500**
Maintenance & Operation	5,457,100	5,566,200	5,677,500	5,791,000	5,906,800	6,025,000
Contractual Services	7,039,600	7,180,400	7,324,000	7,470,500	7,620,000	7,772,400
Internal Service Charges	13,539,100	13,810,000	14,086,200	14,367,900	14,655,300	14,948,400
Capital Outlay	758,200	773,400	788,900	804,700	820,800	837,200
Debt Service Charges	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600	2,259,600
Loan Repayments	-	1,308,700	1,629,400	-	-	-
Est. Expenditure Savings Factor	(2,680,400)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Transfers Out	2,182,100	2,600,000	2,652,000	2,705,000	2,759,100	2,814,300
Total Estimate Expenditures	**$ 135,620,900**	**$ 149,837,100**	**$ 156,304,400**	**$ 162,993,300**	**$ 171,902,000**	**$ 174,562,400**
Revenue Over(Under) Expenses	**(787,500)**	**(26,211,400)**	**(34,533,000)**	**(40,004,100)**	**(47,683,100)**	**(48,480,200)**
Reserve Fund Balance	**$ 1,770,400**	**$ (24,441,000)**	**$ (32,762,600)**	**$ (38,233,700)**	**$ (45,912,700)**	**$ (46,709,800)**
FB as a % of Expenditures	1.31%	-16.31%	-20.96%	-23.46%	-26.71%	-26.76%
Debt Serv as % of Expenditures	1.67%	1.51%	1.45%	1.39%	1.31%	1.29%