PRE-PENDENCY PLAN

City of San Bernardino

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INTRODUCTION

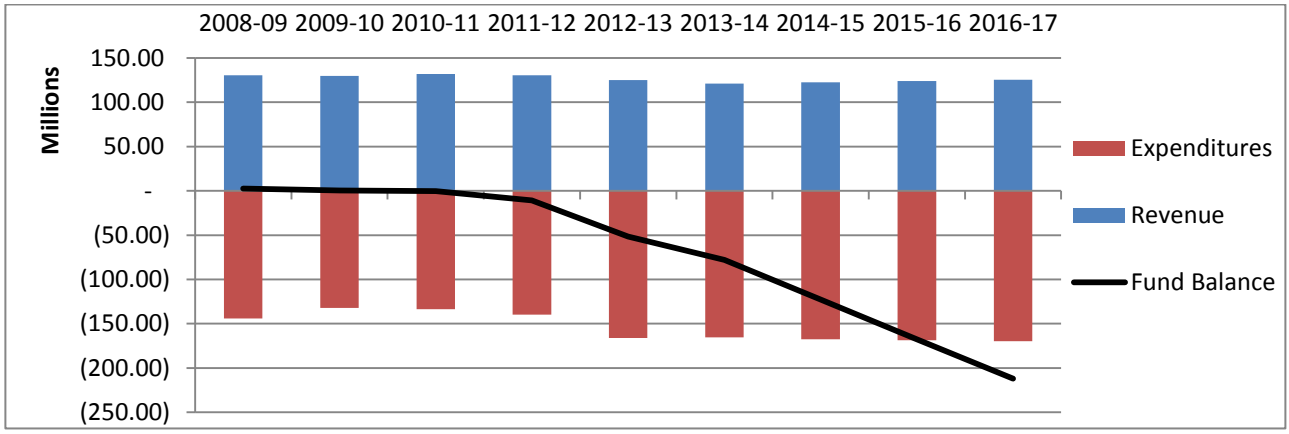
San Bernardino is facing a crisis. To address budget shortfalls in thirteen of the past sixteen years, the City has already cut staffing levels, added new revenue sources, expended reserves, and is now faced with eliminating services and programs. Nonetheless, to correct for the City's further projected shortfalls in the current year and over the years just ahead, the level of required cuts must be done in such a manner to allow the City to provide acceptable services. For example, the City is faced with the undesirable prospect of closing fire stations, libraries and community centers, while still not having enough money to fund acceptable levels of police and fire protection. This statement of crisis is not made lightly, but reflects the Administration's profound concern that San Bernardino faces a service-level crisis that can only be classified as a fiscal emergency.

The primary focus of this report is on the City's General Fund, which supports a large majority of municipal services. However, the impact the negative cash of roughly $18 million and escalating operational costs affects all City funds and services. As the General Fund balance continues further into the negative and operational costs escalate, it drives up the cost for sewer services, integrated waste fund, Internal Service Funds, the Development Fee Program, and other special funded services paid by every resident through monthly fees and other direct assessments.

While a number of factors have contributed to this crisis, by far the most significant and difficult to control has been increasing operating costs occurring at a time when the City's revenues continue to decline. As the chart below depicts, as of June 30, 2011 the City's fund balance has declined to a negative $1.2 million. Without substantial and immediate restructuring of the organization, both operationally and financially, the City will not be able to provide basic services.

Table 1 - 5 Year Budget and Fund Balance Estimates *(Amount in Millions)*

Actuals – 2008-09 to 2010-11 *Projected Budget 2011-12 to 2016-17*



Declining Revenues

Since the City's peak General Fund revenue of $133 million in 2008, the City has experienced severe losses in key areas such as sales tax, property tax, franchise fees, utility users tax (UUT), permits, and funds transferred from the Economic Development Agency (EDA). The chart below details the reduction of roughly $11.69 million in General Fund revenues.

Table 2 - Major Revenue Trends from 2008-2012

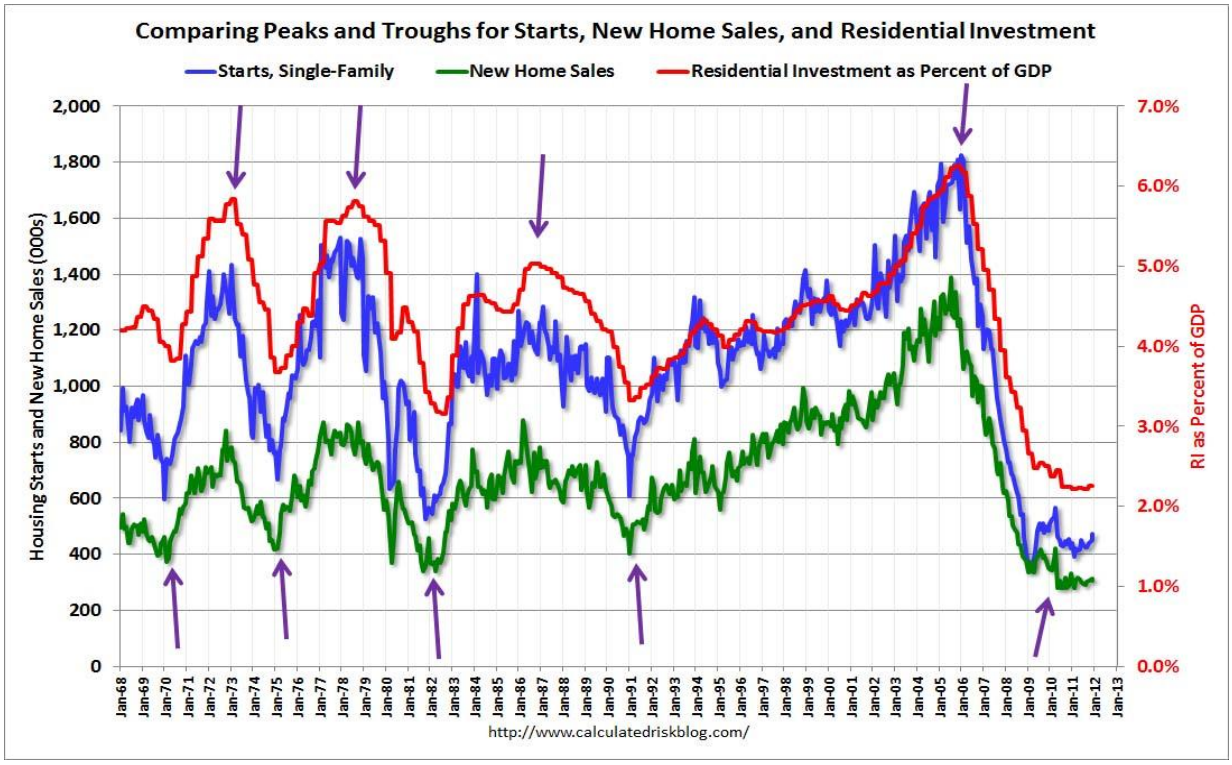
Revenue Source	**Peak Revenue 2007-2008**	**2011-12 Revenue**	**Variance**
Property Tax Secured	$11.6M	$9.5M	($2.1M)
Property Tax in Lieu of Vehicle License Fees	$18.9M	$15.7M	($3.2M)
Sales Tax	$22.3M	$19.03M	($3.27M)
Franchise Fees	$3.32M	$2.88M	($450K)
Utility User Tax	$24.4M	$22.5M	($1.9M)
Licenses and Permits	$9.2M	$8.6M	($600K)
Totals	**$89.72M**	**$78.21M**	**($11.69M)**

The chart above is consistent with the findings in other California cities. However, many cities in California have begun to recover from declines in revenues. With the exception of sales tax, most significant General Fund revenues remain flat or are increasing extremely slow to the point that prior peak levels are not expected to be reached within the next five years. Overall, General Fund revenues remain roughly $11.7 million below peak levels.

Of specific concern are revenues derived from property taxes which continue to be impacted by a significant drop in housing prices in 2008 and on-going foreclosures throughout the City. According to recent housing data, the City may have reached the bottom of the decline in housing values. This doesn't mean prices will increase significantly any time soon. Usually towards the end of a housing bust, normal prices move sideways for a few more years, and real prices adjusted for inflation could even decline for another two or three years.

It is reasonable to assume housing values will stabilize and begin to grow at some point in the very near future; if it hasn't begun already. The chart below provides an illustration of the national housing market since 1968. While this may be the steepest decline in over 40 years, we shouldn't assume an aggressive recovery of investment or pricing. Rather, the Administration is assuming flat property tax revenues for residential properties in 2012-2013 with slight growth over the next fiscal years. Commercial properties continue to search for the bottom, as evidenced by the $17.2 million of non-residential property tax appeal exposure for fiscal year 2012-2013.

Table 3 - Historical Home Starts, Sale and Investment



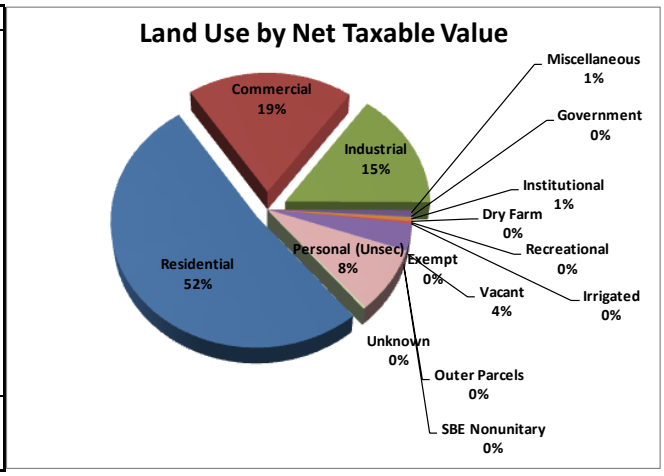
Because we do not anticipate much growth with housing new starts or employment in the near future, and with the loss of the EDA, the Administration assumes construction-related permit activity will also be flat or possibly continue to decline. Permit activity in most California cities has been very volatile with trends pointing to decreasing activity.

The chart below reflects the City's property tax base according to land use. Typical of a large, older community, the City is fairly balanced with 52% of taxable property as residential, 19% commercial and 15% industrial. Despite the diversity in property tax generation, 80% of the City's taxable parcels are residential. Because of the high percentage of residential parcels, service requirements will remain high and a sustainable and resilient revenue base is vital to supporting essential City services.

Table 4 - Land Use by Net Taxable Value

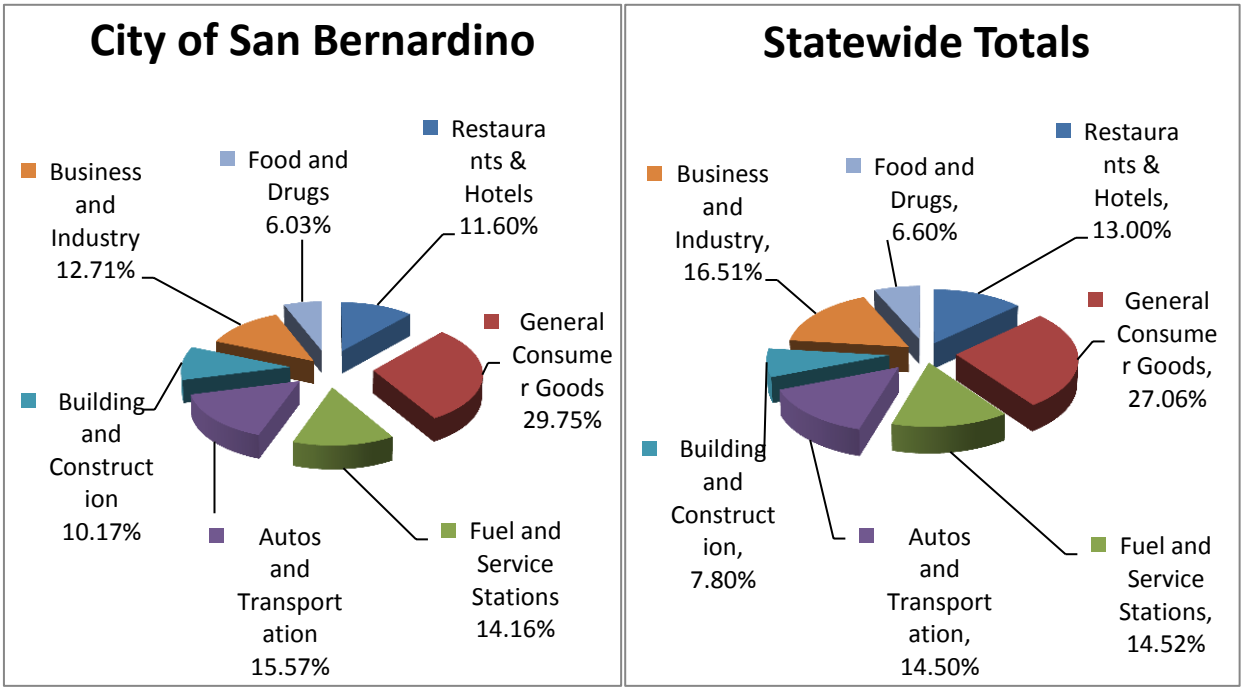
Category	Net Taxable Value	Number of Parcels
Residential	$5,337,905,953	44,947
Commercial	$1,988,781,002	2,295
Industrial	$1,557,715,525	721
Miscellaneous	$86,979,310	346
Government	$5,397,890	12
Institutional	$56,282,161	207
Dry Farm	$1,382,185	7
Recreational	$25,292,404	58
Irrigated	$43,094	1
Vacant	$356,918,079	4,524
Exempt	$0	3,347
Outer Parcels	$7,500	9
SBE Nonunitary	$5,219,774	54
Personal (Unsec)	$862,093,032	3,967
Unknown	$24,201,315	61
	$10,308,219,224	56,526

Source: HdL 2011-12 Property Tax Reports



Based on data provided by HdL, the City's sales tax revenue diversity reflects the statewide average for all business types (see charts below).

Table 5 - Sales Tax Comparison



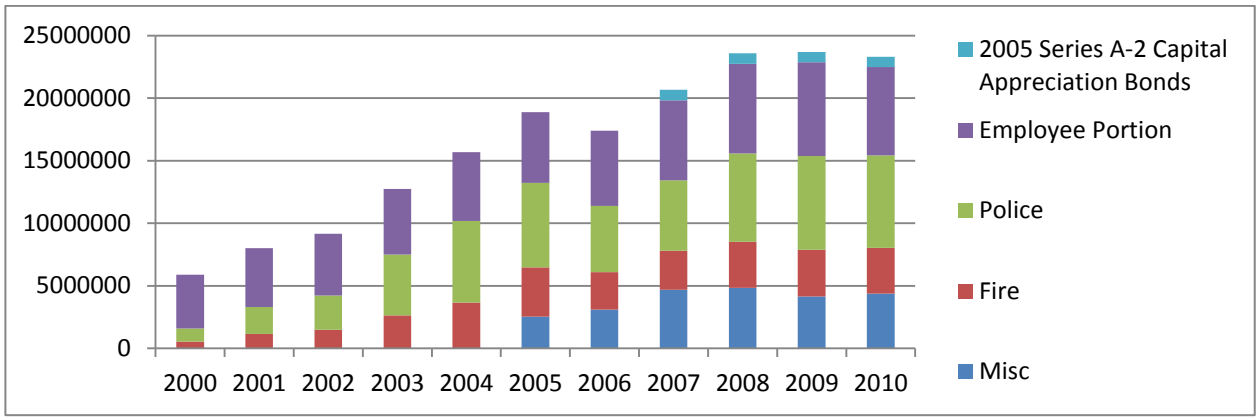
The overall diversity of the sales tax base within the City presents an opportunity for future revenue growth. The City's population, size, and opportunities for economic development of former EDA properties provide for an optimistic outlook. Despite these positive traits, the City will need to play a role in job creation in order to fully realize its true sales tax potential. As of June 2012, the unemployment in San Bernardino was 19.9%. When compared to the State of California and San Bernardino County unemployment figures for April 2012 of 10.9% and 11.7% respectively, we begin to understand this as a component of a decline in sales tax-generating revenues well below the peak in 2008.

In order to restore revenues to prerecession levels, multiple voter approved measures would be required. With local voter reluctance to increase taxes, the City's revenue generation options are significantly limited by required majority voter approval (50%+1) for general taxes and two- thirds voter approval for service-specific taxes.

Increasing General Fund Operating Costs

Over the past ten years, the City's population has grown by roughly 13% resulting in increasing demands for services to the community. In order to meet growing service demands, the City has maintained a workforce exceeding 1,140 employees. Maintaining a large workforce has exposed the City to rising operational costs outside of the City's control. Despite recent reductions of 250 employees, retirement costs have increased from $6 million in 2000-2001 to $22 million in 2009-2010 (see the chart below).

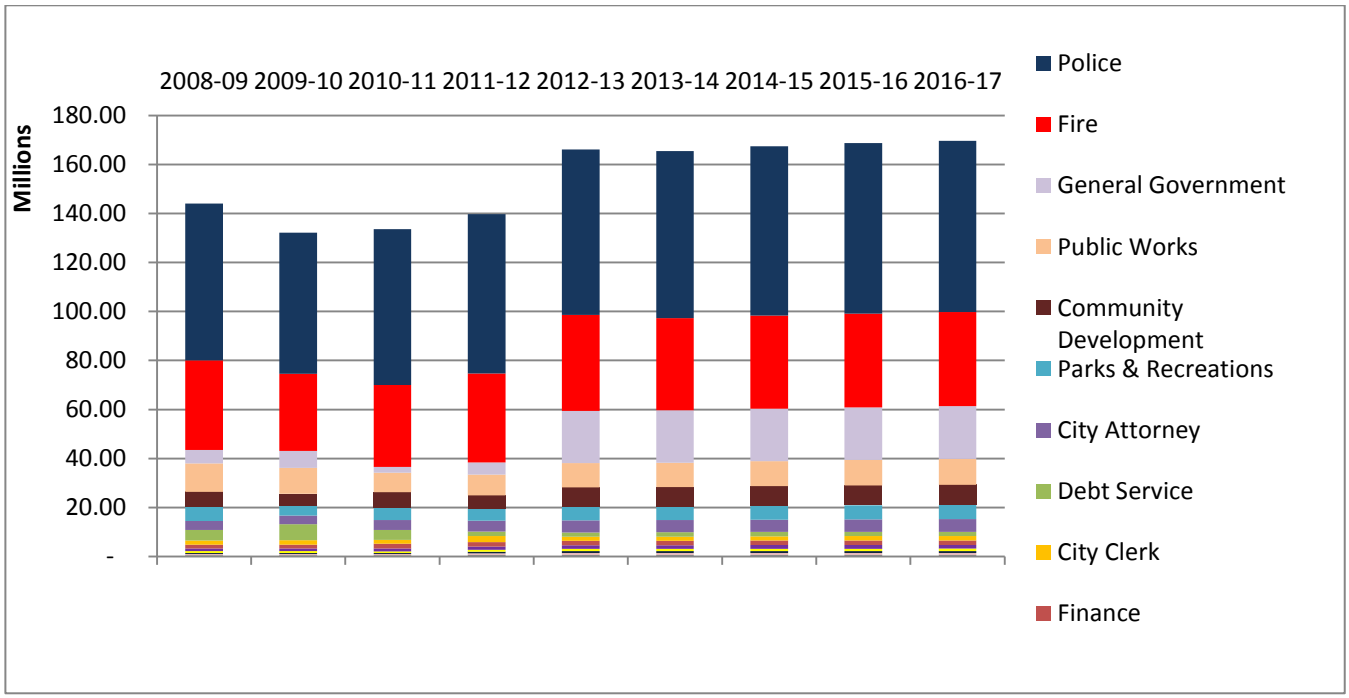
Table 6 - Historical Pension Expenses



While the City's pension costs have been growing steadily over the past several years, significant increases are due to the City's decision to implement enhanced retirement plans for all employees. A secondary impact, and of less significance, are increases to the total number of retirees and investment losses by the City's retirement administrator; the California Public Employee Retirement System (CalPERS). To mitigate increasing retirement costs and to manage long-term retirement liabilities, the City reduced its total workforce and implemented a two-tier retirement plan, which provides basic level retirement benefits to all new employees.

Even after these considerable workforce reductions and numerous other cost-reduction strategies implemented by the City, the General Fund shortfall for 2012-2013 is projected at $45 million, which represents 30% of total projected General Fund Expenditures for the coming fiscal year. The following chart further illustrates the degree to which prior efforts to stabilize operational costs are unsustainable beyond 2011-2012.

Table 7 -
5 Year (2012-13 to 2016-17) Budget Projections by Department



As a result of the above trends, personnel costs are consuming progressively larger portions of the City's operating budget resulting in unsustainable workforce levels.

Debt Obligations

The City also has significant bond indebtedness obligations. As noted in the chart below, the City's General Fund has roughly $90 million of outstanding debt obligation. Additionally, with the loss of redevelopment and the City's election to be the Successor Agency, the City, has additional debt obligations of roughly $200 million.

Issuer	Issue	Par Amount	Closing Date
GENERAL FUND BONDED DEBT			
City of San Bernardino	Lease Revenue Refunding Bonds Series 1996	$ 16,320,000	12/18/1996
San Bernardino Joint Powers Financing Auth	Public Facilities Lease Revenue Refunding Bonds, 1997 Series A	$ 10,370,000	7/31/1997
San Bernardino Joint Powers Financing Auth	Refunding Certificates of Participation	$ 15,480,000	9/29/1999
City of San Bernardino	Taxable Pension Obligation Bonds, 2005 Series A-1	$ 36,050,000	10/28/2005
City of San Bernardino	Taxable Pension Obligation Bonds, 2005 Series A-2	$ 14,351,583	10/28/2005
REDEVELOPMENT BONDED DEBT			
San Bernardino Joint Powers Financing Auth	Tax Allocation Refunding Bonds, Series 1998A	$ 27,590,000	4/2/1998
San Bernardino Joint Powers Financing Auth	Subordinated Tax Allocation Refunding Bonds, Series 1998B	$ 8,590,000	4/2/1998
San Bernardino Joint Powers Financing Auth	Tax Allocation Bonds, Series 2002A	$ 3,635,000	1/24/2002
San Bernardino Joint Powers Financing Auth	2002 Tax Allocation Refunding Bonds	$ 30,330,000	4/11/2002
San Bernardino Joint Powers Financing Auth	Tax Allocation Revenue Refunding Bonds Series 2005A	$ 55,800,000	9/30/2005
San Bernardino Joint Powers Financing Auth	Tax Allocation Revenue Refunding Bonds Series 2005B	$ 21,105,000	9/30/2005
San Bernardino Joint Powers Financing Auth	Tax Allocation Bonds (20% Set Aside) Taxable Series 2006	$ 28,665,000	4/26/2006
San Bernardino Joint Powers Financing Auth	Tax Allocation Bonds Series, 2010A	$ 7,065,000	12/23/2010
San Bernardino Joint Powers Financing Auth	Tax Allocation Bonds Series, 2010B	$ 3,220,000	2/9/2011
ASSESSMENT DISTRICT BONDED DEBT			
City of San Bernardino	Limited Obligation Improvement Bonds, Assessment District No. 985	$ 1,101,682	2/28/1990
City of San Bernardino	Limited Obligation Improvement Bonds, Assessment District No. 987	$ 709,105	12/18/1991

Budgetary Impacts

Unfortunately, there is no "silver bullet" for increasing revenues significantly or stabilizing operational costs. The rapid disparity between revenues and expenses is due to significant declines in general taxes and increases in personnel and debt liabilities.

The Budget Sustainability Plan presented to City Council in June 2012 contemplates a range of potential solutions to address the General Fund structural imbalance in an effort to continue to provide essential City services. These strategies are being actively pursued, and include but are not limited to creating a cost sharing retirement program, investigating raising the real property transfer tax, stabilizing medical costs by sharing plan increases with employees, eliminating sick leave payouts, regionalizing services, and reducing the burden of the constant manning provision within the Fire Department. Unfortunately, these solutions alone are not projected to be sufficient. Although the City has been successful in achieving some cost reductions, other City proposals will require further collective bargaining with its employee bargaining units and, in some instances, Charter changes via the electoral process. Further, while additional revenue would be very beneficial, increasing revenue rates and/or sources will, again, require a vote of the people, with such approval doubtful in the current economic environment.

Given all of the above constraints, some have suggested that the City should simply take actions to sell City assets, such as integrated waste operation, lease-revenue opportunities from cell towers located on City owned land and local water rights. Unless there is a specific and sound basis for selling City assets which provide continuous annual revenues to the City, this approach could jeopardize the long-term sustainability of City operations.

San Bernardino faces a service-level emergency and must now address its financial issues through a comprehensive approach and significant operational and financial restructuring.

CONCLUSION

The outlook for City services, already reduced over the last three years because of the severe economic downturn, remains bleak for 2012-2013 and beyond. While the City has been managing deficits, the shortfalls in recent years have become increasingly difficult to resolve as wave after wave of revenue losses have continued to hit. The Administration believes that the next round of workforce cuts required to balance the budget in the face of such a severe deficit will be best implemented and managed through an analysis of impacts to the department, organization, individual wards and community compared to prospective financial savings, as outlined in the following matrix.

Impact	Low	Medium	High
Department	X		
Organization	X		
Ward	X		
Community	X		
Financial Savings			X

Using the above methodology, all non-essential programs were evaluated prior to their submittal for reduction or elimination. The recommendations contained in this report reflect reductions in workforce or programs based on the lowest possible impact to individual wards and the community possible while meeting the City's budget reduction goals.

I. FISCAL EMERGENCY

A. What is the Purpose of a City?

In recent years, the City of San Bernardino has made efforts to implement strategies of fiscal prudence and good management. In particular, the City is struggling to balance its budget amid weakened revenues and rising costs, including rapidly-increasing personnel costs. The City is a service organization with approximately two-thirds of the City's General Fund budget attributable to personnel costs. Unlike a private employer, a public agency cannot simply decide to go "out of business" or otherwise stop providing certain essential services to the public.

Under the California Constitution, cities have broad authority and responsibility in the areas of public health and safety. See Cal. Const., Art. XI, § 7 ("A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws."). However, while a city's powers are derived from the state constitution and other laws enacted by the Legislature, cities themselves are created only by the request and consent of the residents in a given area. Because of this, municipal governments are responsible for providing services that directly affect the lives of their residents. Through fire and police protection, cities safeguard lives and property. Through public works and other programs, cities construct and maintain streets and look after the health, recreational, and social needs of residents. Charter cities like San Bernardino are formed when citizens specifically frame and adopt a charter to establish the organization of and basic laws of the city.

The core purpose of the City of San Bernardino is to provide essential services to the public as established in its City Charter. San Bernardino's essential functions are set forth in its Charter, which identifies the establishment of certain City Departments including Police, Fire, Water, Parks and Recreation, and Library. Notably, although the Mayor and Common Council may at any time abolish or discontinue some departments, the Mayor and Common Council is required to provide those services established under the Charter.

B. A Service Level Emergency Creates a Fiscal Emergency

In fulfilling its core purpose of providing essential services, the City must navigate between City Charter requirements and Mayor and Common Council mandates. On the one hand, the City Charter establishes departments as set forth in the paragraph above for the purpose of providing basic municipal services. On the other hand, the City Charter requires the City to balance its annual budget. Currently, the City is unable to comply with both of these City Charter mandates and provide basic municipal services to City residents. Unfortunately, on August 1, 2012, the City filed for Chapter 9 Bankruptcy and will likely be forced to reduce services below those levels acknowledged by the City Council as the baseline for basic municipal services in order to balance its annual budget for 2012-2013. All projections show that recessionary affects will remain and additional cuts may be required to balance the upcoming 2013-2014 budget, as required by the Charter.

The meaning of the term "emergency" may vary depending on the context in which it is used. While some courts have defined an "emergency" as "an unforeseen situation calling for immediate action," not all emergencies occur in an instant, like an earthquake. An employer's

dire financial condition – which worsens over a period of time – may qualify as an emergency justifying the suspension or modification of certain contractual obligations.

A public agency's inability to provide essential services is a strong indication of a fiscal emergency. As noted by the Governmental Accounting Standards Board (GASB), the common themes that have been either formalized or are working definitions of financial sustainability include the ability to continue public services and/or existing programs. This comports with the definition of "financial condition" adopted by the International City/County Management Association (ICMA). In particular, ICMA defines a municipality's financial condition as the ability to (1) maintain existing service levels, (2) withstand local and regional economic disruptions, and (3) meet the demands of natural growth, decline, and change. ICMA also categorizes financial solvency in four distinct ways:

1. ***Cash solvency*:** government's ability to generate enough cash over a 30 to 60 day period to meet its obligations.
2. ***Budgetary solvency*:** government's ability to generate enough revenues over its normal budgetary process to meet its expenditures and not incur deficits.
3. ***Long-run solvency*:** government's ability to meet expenditures that may not be addressed as part of the normal recurring annual budgetary process.
4. ***Service-level solvency*:** government's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community and to meet its citizens' desires.

This report focuses on all categories above: Moving forward as a well-run and forward-looking city, San Bernardino must budget in an effort to meet its contractual obligations, build reserves and ensure that budgetary shortfalls are addressed through balancing actions each year. However, the City has reached the point at which previous budget balancing actions combined with the budgetary outlook for 2012-2013 and beyond have triggered a financial and service-level emergency, jeopardizing the health and safety of San Bernardino's residents. The threat posed by continued service reductions is imminent, and despite all other measures taken to this point and those still to be implemented, no viable alternative plan that is sufficient to address this problem has been identified that does not require major changes in services delivery of all departments and changes to the City's compensation strategy. As such, the Administration believes San Bernardino faces a service-level emergency, a form of fiscal emergency which requires Chapter 9 Bankruptcy protection while we get our fiscal house in order.

C. Fiscal Emergency Legal Authority

In this plan, the evaluation of conditions for declaring a fiscal emergency and subsequent filing for Chapter 9 protection has focused on the primary causes of the current condition, which are declines in revenue and increases in operational costs. Therefore, the goal has been development of solutions that appropriately addresses the primary causes of the City's current fiscal situation within the City legal limitations.

While no California cases have upheld an impairment of a government entity's own contract, case law from other jurisdictions supports the notion that a public agency's inability to provide essential services is a strong indication of a fiscal emergency. In those jurisdictions, courts have recognized that a sharp decline in revenues coupled with the concurrent inability to provide essential services constitutes an "emergency" justifying the impairment of contractual obligations. For example, in Subway-Surface Supervisors v. N.Y.C. Transit Authority, 44 N.Y.2d 101 (1978), the New York Court of Appeals upheld the City's suspension of a wage increase set forth in the City's collective bargaining agreement, where the City's fiscal emergency would have rendered it unable to "provide essential services to its inhabitants or meet its obligations to the holders of outstanding securities," and, without cuts, it would not have been able to pay employee salaries or its vendors and would have defaulted on payments due on other outstanding obligations.

Federal and State courts recognize the constitutional power of a local municipality in response to an emergency to act in the public's interest, to preserve the health, safety and well-being of City residents. The scope of the power includes the ability to impair contract obligations under certain limited circumstances. As such, the Mayor and Common Council elected to declare Chapter 9 Bankruptcy to address the City's structural imbalance while preserving essential services to the community.

D. Evidence of San Bernardino's Fiscal Emergency

1. San Bernardino's Inability to Provide Services at Required Levels

As demonstrated below, the rise in salary and retirement costs combined with decreased revenues (which have declined in absolute terms, and are not projected to grow at a rate sufficient to keep up with these expenditure increases) have staggering implications on San Bernardino's ability to provide essential services. The San Bernardino City Charter provides guidance as to which services are "essential" to the City: Administration, Police, Fire, Water, Library, and Parks and Recreation are some of the service-providing departments specifically established pursuant to the City Charter. Other departments, such as Finance, Personnel, and Community Development, are not directly established by City Charter but are obviously necessary to support the City's operations.

Since 2007-2008, the General Fund has experienced shortfalls which were addressed, in part, with the elimination of approximately 250 positions citywide. Previous budgets closed General Fund shortfalls through a combination of strategies including, reduced/eliminated services, a variety of cost savings strategies, and new revenues. Despite these efforts, prior reductions did not address deferred liabilities, such as other post-employment benefits (OPEB), which are now estimated at more than $61 million.

A significant portion of the costs of providing services to the community are the salaries and benefits paid to City employees, with nearly two-thirds of the City's General Fund tied directly to personnel costs. This is because municipal services are generally labor-intensive, with City employees such as police officers and firefighters providing essential services. In an effort to maintain service levels, the City has implemented cost

control measures, including the following:

- Organization-wide hiring freeze, with exemptions based on requests critically necessary to perform essential functions of the department;
- Expenditure controls on technology, marketing, office furniture, equipment, and vehicle purchases;
- Two-tiered pension plans;
- Salary freeze for unrepresented employees (including executives and professionals) and most City bargaining groups; and
- 10% reduction in the total compensation (from the baseline 2009-2010 fiscal year) for City employees within the General Unit, Middle Management Unit, Police Management, Fire Management, and the Management / Confidential Unit.

Persistent General Fund budget shortfalls have necessitated deep service reductions in departments that rely on the City's General Fund, including freezing vacant positions in Police and Fire services, the inability to open and operate new City facilities, a reduction in the days and hours of operation of the City's library services. With escalating total operational costs and declining revenues, the budget shortfalls in the last two years have been the most severe. Staffing levels for the City of San Bernardino have been reduced by 14% since 2007-2008, with the majority of the impact experienced in 2008-09, 2009-10 and 2010-11. In recent weeks, the City has lost 60 employees due to attrition. As staffing continues to erode at a rapid pace, the City's capacity to provide the essential services set forth in the Charter is diminished. Staffing reductions to date have impaired the government's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community.

With the drop in staffing levels and the magnitude of the General Fund shortfalls, no service area has been spared from deep cuts. In 2000-2001, when retirement costs were at their low watermark, the City had 1,174.5 full time equivalent employees. With the position reductions proposed in the 2012-2013 Budget, San Bernardino will likely drop staffing to levels not seen in over 20 years.

2. Service Levels will be Impaired for the Foreseeable Future

While there is much evidence to conclude that the service impairment will rise to the level of an emergency, a critical consideration is whether economic conditions and rising operational costs will further weaken the City's ability to provide public services into the foreseeable future. As demonstrated later in this report that answer is, unfortunately, a resounding "yes." As described in detail below, operating cost increases coupled with the retirement cost increases projected in the next few years will make dramatic service-level reductions a necessity to balance the budget.

As noted by GASB, financial insolvency is directly tied to the ability of an entity "to continue public services and/or existing programs." By that standard, the City is already financially insolvent. Without significant operational and financial restructuring, the likely budget balancing scenarios over the next three years include:

Police Department

- Reduction in proactive resources such as District Resource Officers, Narcotics, Gang Officers, Etc.
- During peak demand times, police response may be limited to high priority, violent crimes, or crimes in progress.
- The average response time for Priority 3 and 4 calls will increase, with some of these kinds of calls going without any response during peak times
- The Police Department may reach a point where misdemeanor and property crimes may go uninvestigated, if the Department lacks the resources to investigate all but the most serious crimes;
- The City will be unable to respond effectively when multiple critical events occur concurrently;

San Bernardino is currently experiencing an increase in overall crime. The increases are likely to continue as police resources diminish. Community based policing efforts will also continue to decline as resources are eliminated and the Department adjusts resources to respond to calls for service. Community frustration at low service levels from the police department will likely increase.

Fire Department

- Response times for fires and medical emergencies will increase, and will, on a regular basis, likely exceed current standards, leading to increased risk of loss of life and significant property damage.
- The operational efficiency of several of our specialty programs will be negatively impacted. Materials Response unit, Urban Search and Rescue unit, SWAT Medic program, and Fire Investigation unit, among other program areas, will have to be re-evaluated to see if it is feasible to continue providing these services.
- The City will consider alternative service provision models as necessary to keep most fire stations open and operational at accepted standards for a City of our size and call volume.
- The Department will have reduced capacity to respond to two or more sustained structure fires that occur within the same time period, as well as reduced response to wildland fires and other large scale incidents such as natural disasters, terrorist incidents, civil disturbance, etc. Moreover, as the largest firefighting force in the County, the Department cannot rely on mutual or automatic aid from neighboring jurisdictions to provide basic levels of fire and emergency medical services. These agencies have had to reduce responding units as well; typically, other agencies rely on SBFD for assistance.
- The Department will need to consider whether to continue to provide advanced life support services, as it presently does. Other models of providing this service will have to be studied to provide our citizens the level of emergency medical care provided by the current model. We have established response time standards that have been adopted by the City Council and are regulated by the County. Further degradation in our ability to meet these established standards will necessitate a change in our service delivery method. This could result in a decrease in the level of service and care currently provided as well as a possible increase in cost to our citizens.
- The Department's ability to provide comprehensive fire prevention services will

continue to erode; this will result in longer delays for developers and builders wishing to start projects in the City. We will continue to experience a decrease in revenue generated by commercial building inspections; this could result in more fires with an associated increase in life and property loss.

Library Services

- Three out of four currently operational branches are likely to close for the remainder of 2012-2013;
- Library programming, including educational programming, will be eliminated;
- School-aged children visiting branch libraries after school each day, many of whom are not accompanied by a parent or caregiver, will no longer have a safe, constructive, and educational after-school option; and
- Property values for the homes in close proximity to the closed branch libraries may decrease.

Parks, Recreation and Community Services

- All City recreational programs will be discontinued and the City's Community Centers will be closed unless partner agencies are able to pay operations and facility overhead;
- Teen programs will be eliminated;
- Gang-intervention and graffiti abatement programs will be reduced to skeletal levels; and
- Property values for the homes in close proximity to the shuttered Community Centers may decrease.

Impacts on Other City Services

- Traffic maintenance programs will be further reduced, impacting traffic sign maintenance, roadway striping, and marking maintenance;
- Continued deferred maintenance of public facilities; and
- General Government departments such as Council Appointees, Finance, Human Resources, Information Technology, and Mayor and Common Council will be further cut, resulting in reduced staffing for oversight, management, internal controls, and compliance.

These public services are essential to the functioning of San Bernardino. In the absence of these essential city services, business owners and residents will perceive a disconnect between taxes paid and services provided. The City must avoid this potential downward spiral by working to maintain services that provide social and economic benefits to the community.

In conclusion, San Bernardino has experienced a sharp increase in service delivery costs, driven primarily by fast-rising operational costs, in tandem with sustained declines and ongoing weaknesses in City revenues. In turn, in the City's effort to maintain a budget balance, these factors have required year after year of escalating service cuts. Given the extent of these service reductions to date, and the anticipated impact of the next round of cuts to be required if no corrective action is taken, these unsustainable trends have now reached the point of fiscal emergency leading to Chapter 9 Bankruptcy.

II. DECLINING REVENUES AS A FACTOR CONTRIBUTING TO THE STRUCTURAL DEFICIT

A. The Recession has Taken a Toll on the San Bernardino Economy

San Bernardino, along with many other cities, has been heavily affected by the current economic downturn. The financial impact from the economic downturn has been severe and continues to linger. However, as discussed below, the City's current crisis has been compounded by increases in operational costs, especially pension and retiree healthcare costs.

The City faces a structural budget gap: the growth in the cost of the City's recurring expenditures – most significantly, for employee retirement benefits – outpaces the growth in City revenues. This unsustainable imbalance preceded the decline in City revenues and will continue to imperil City services for years to come if no corrective action is taken. While the City has taken extraordinary steps to address and control these costs shrinking its workforce, decreasing total compensation by 10% across the board, and increasing fees and other revenues the City's ability to fund its remaining services continues to deteriorate and solutions are becoming more and more elusive. The budget pressures faced by the San Bernardino municipal government reflect the broader economic problems faced by San Bernardino's residents. By almost any measure, the Great Recession continues to have a devastating effect on San Bernardino's residents and their economic resources:

- The unemployment rate for the City of San Bernardino has doubled since the onset of the recession. As of June 2012, the unemployment was 16.9%.
- Median single family home sale prices have fallen sharply, to over 40% below the 2007 peak annual levels as of June 2012.
- As of June 2012, San Bernardino foreclosure rates are 3.5 times above the national average.

In turn, as further detailed in the analysis to follow, these economic factors have weakened the City's tax base and revenue streams, while adding to community service demands. As in communities around the nation, the downturn has created severe pressures on the City of San Bernardino budget.

While the recession that began nationally in December 2007 may have ended in June 2009, the economy has yet to generate the strong levels of growth required for full recovery. Moreover, even "normal growth" is insufficient to achieve true recovery. Real recovery requires a return to trend – in other words, where the economy would have been normal growth continued without the contraction of a recession.

Of further concern, recent projections show economic growth continuing to lag below normal levels through calendar year 2012. In the July 2012, the Federal Office of Management and Budget Mid-Session Review, the 2012 fourth quarter forecast was reduced to 2.3% based on data through June. National forecasters also project prolonged weakness in the labor market, including continued high unemployment rates. In the Second Quarter Survey of Professional Forecasters, unemployment nationally is projected to stand at an annual average rate of 8.1% in 2012 and to remain high at 7.7% in 2013, 7.2% in 2014, and 6.6% in 2015. In contrast, the national average in 2007, before the full onset of the recession, was just 4.6%. Statewide, recent

forecasts estimate double-digit unemployment rates of 10.7%; the third highest in the United States.

B. San Bernardino Revenues Have Decreased, With Only Moderate Growth Forecast Going Forward

The City of San Bernardino's primary revenue streams are highly sensitive to the overall economy, and have been eroded by the economic downturn. The City's two largest revenue sources, property taxes and sales taxes alone comprise nearly half of overall General Fund revenues, and have both experienced recession-driven declines. At the same time, multiple other significant City revenue streams, including business taxes and many of the City's licenses and permits, have also fallen.

1. Overall Revenue Performance and Projections

Overall, the estimated 2012-2013 General Fund revenue estimates remain 10% lower than peak 2007-2008 General Fund revenues of $133 million. Based on the City's five-year General Fund Forecast, which excludes one-time revenues and grants, General Fund revenues are not expected to return to previous peaks during the five-year forecast period.

At no point during the forecast period are General Fund revenues projected to approach what they would have been had growth continued at 3% per year since 2007-2008. Estimated 2012-2013 General Fund revenues are $21 million lower than hypothetical General Fund revenues of $145 million, assuming General Fund revenues had grown by 3% per year from peak levels in 2007-2008.

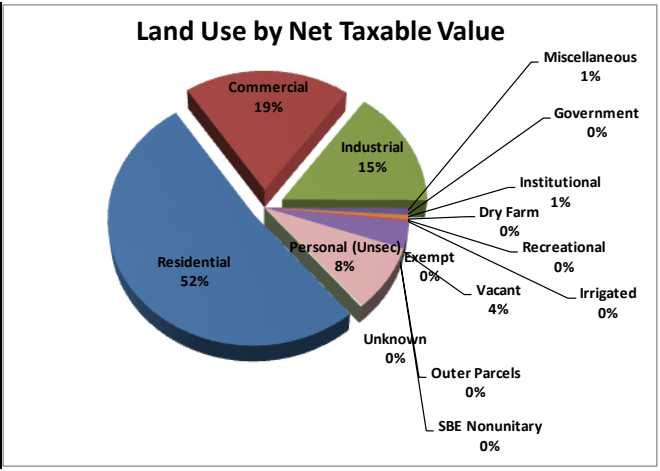
2. Property Taxes

The chart below reflects the City's property tax base according to land use. Typical of a large, older community, the City is fairly balanced with 52% of taxable value as residential, 19% commercial and 15% industrial. Despite the diversity in property tax value, 80% of the City's taxable parcels are residential, which points out the relative low assessed value of the City's housing stock when compared to commercial and industrial uses. The high ratio of residential parcels is a measure of service demand and an indication that a sustainable and resilient revenue base is vital to support essential City services.

Table 8 - Land Use by Net Taxable Value

Category	Net Taxable Value	Number of Parcels
Residential	$5,337,905,953	44,947
Commercial	$1,988,781,002	2,295
Industrial	$1,557,715,525	721
Miscellaneous	$86,979,310	346
Government	$5,397,890	12
Institutional	$56,282,161	207
Dry Farm	$1,382,185	7
Recreational	$25,292,404	58
Irrigated	$43,094	1
Vacant	$356,918,079	4,524
Exempt	$0	3,347
Outer Parcels	$7,500	9
SBE Nonunitary	$5,219,774	54
Personal (Unsec)	$862,093,032	3,967
Unknown	$24,201,315	61
	$10,308,219,224	56,526

Source: HdL 2011-12 Property Tax Reports



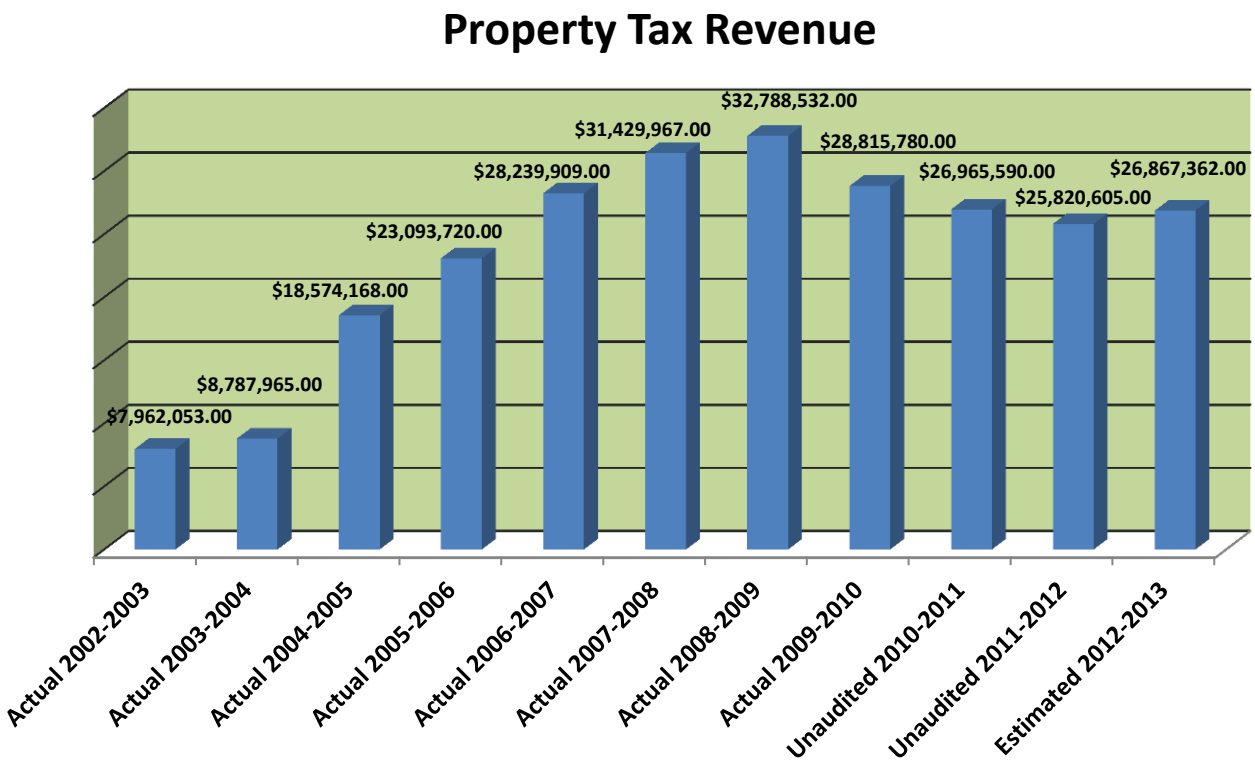
Property taxes account for more than twenty percent (22.6%) of projected General Fund revenues in 2012-2013. In San Bernardino, as in communities across California and the nation, the collapse of the U.S. housing bubble in 2007-2008 led to sharp declines in home values and significant increases in foreclosures. In turn, as these economic factors have worked their way through the property assessment and taxation process, property tax revenues have experienced decline nationally and in San Bernardino.

In addition to housing market factors, San Bernardino's ability to raise property tax revenue to keep pace with rising expenditures is severely constrained from a structural viewpoint by Proposition 13 and subsequent related amendments to the California constitution. Proposition 13 limited the ad valorem tax rates to 1% of assessed value absent approval of two-thirds of the city's voters for a higher rate. The proposition also limited any increase in the assessed value of real property to the California Consumer Price Index up to a maximum of 2% per year, the result of which effectively locked in the total property taxes paid by many California residents to their 1978-1979 levels, adjusted by a maximum increase of 2% annually. Property that changes ownership or has major alterations may be assessed at current fair market value, and thereafter is limited to the 2% increase in assessed value per year.

As shown in the graph below, San Bernardino's property tax revenue collections peaked at approximately $32.8 million in 2008-2009, and then fell sharply for the next two fiscal years to $26.7 million in 2011-2012. As the 2012-2013 Proposed Budget forecasts no significant recovery in this large City revenue source, the projected $26.8 million would still be approximately 18% below the levels reached three years earlier. If the growth rates assumed in the 2012-2016 Five-Year Forecast issued in June 2012 are applied to the 2012-2013 Property Tax estimate, Property Tax revenues would not be expected to return to pre-recession levels until well after 2014-2015 under the City's best case scenario. Further, at no point during the forecast period do projected revenues come close to the levels that would have been reached had property taxes continued to grow at an annual rate of 3.0% since 2008-2009, shown in the chart below as the top dotted line. Given continued housing market weakness and the legal constraints on

property tax increases in place under the California constitution, property tax revenues will remain flat for years to come.

Table 9 – Property Tax Revenue 2002-2003 to 2011-2012



As outlined above, overall economic recovery remains weak and uncertain, and the housing market continues to be similarly challenged. Home prices as of August 2012 were still at summer 2003 levels on a national basis – down 31.2% from five years previously (seasonally adjusted; based on a composite of 20 metropolitan areas).

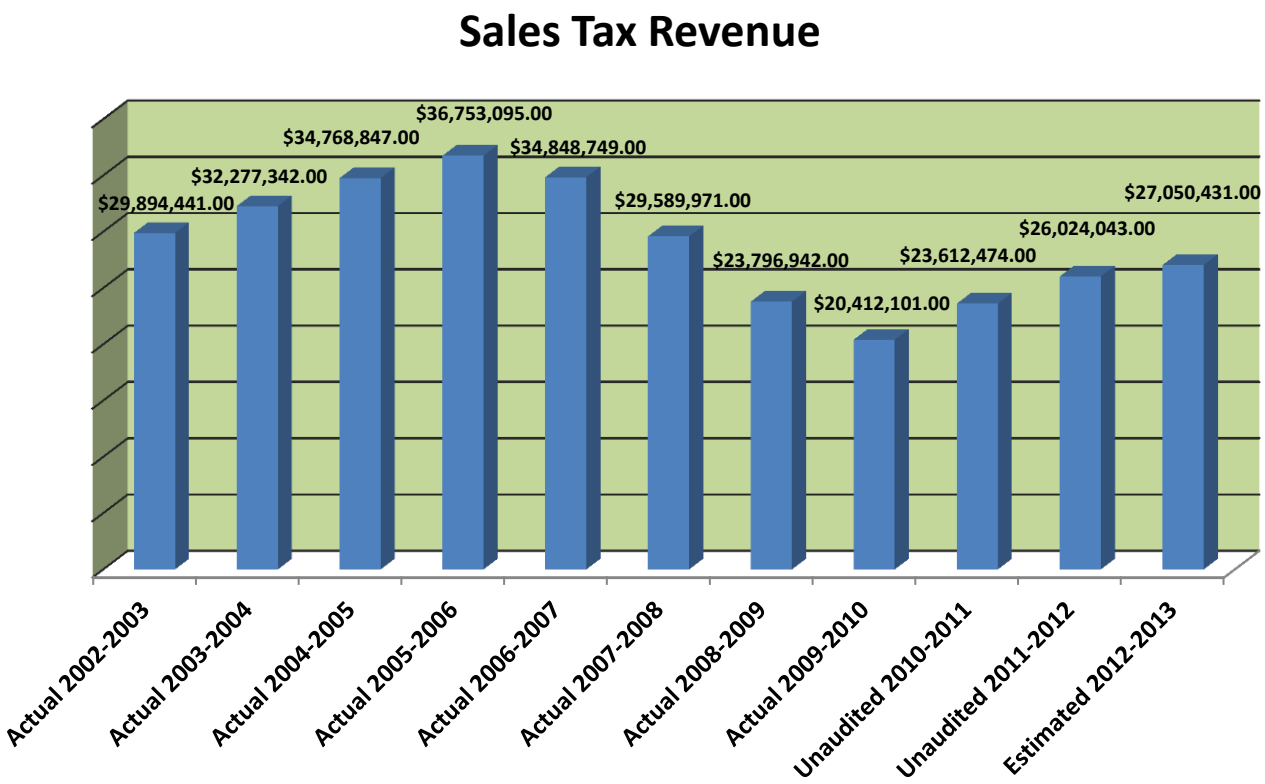
Looking at data specific to San Bernardino, median home sale prices for single-family residences within the City paralleled the regional area trends. As noted previously, San Bernardino median home sales prices remain roughly 40% below peak 2007 annual levels as of June 2012.

As property values drop, so does property tax revenue. Under Proposition 8, temporary reductions in assessments are applied when the current market value of a property is less than the current assessed value. As a result of the housing market downturn, the number of revaluations has increased, contributing to reduced property tax revenue for many municipalities, including San Bernardino. San Bernardino's non-residential sector is even weaker, with anticipated softness in commercial property values throughout the City's 2012-2016 five-year forecast.

3. Sales Taxes

Sales tax revenues are another important revenue stream for San Bernardino and account for 22% of General Fund revenues in the 2012-2013 Proposed Operating Budget. Sales and property taxes combined account for nearly half of San Bernardino's revenues. Like property taxes, sales tax receipts have declined significantly due to the general economic downturn. The City estimates sales tax revenues peaked in 2005-06 at $36.7 million. In 2009-10 the City's sales tax plummeted to $20.4 million. In recent years, the City has realized growth in sales tax receipts however revenues remain well below peak levels. Overall, estimated 2012-2013 sales tax revenues remain roughly 29% lower than peak 2005-2006 sales tax revenues of $36.7 million.

Table 10 – Sales Tax Revenue 2002-2003 to 2011-2012



Estimated 2012-2013 sales tax receipts are projected to reach $27 million. This figure factors out a sizeable amount of one time prior year adjustments and applies a 3% economic growth factor. If the growth rates assumed in the 2012-2017 five-year forecast issued in June 2012 are applied to the 2012-2013 sales tax estimate, City sales tax revenues would not be expected to return to 2007-2008 levels until 2013-2014. Further, much as with property tax receipts, at no point during the forecast period are sales tax revenues projected to come close to what they would have been had growth continued at 3.0% per year since 2005-2006.

Overall, the Administration anticipates moderate growth in sales tax receipts – with 3% underlying economic growth in 2012-2013 and growth ranging from 2% to 3% annually in the out years of the forecast period.

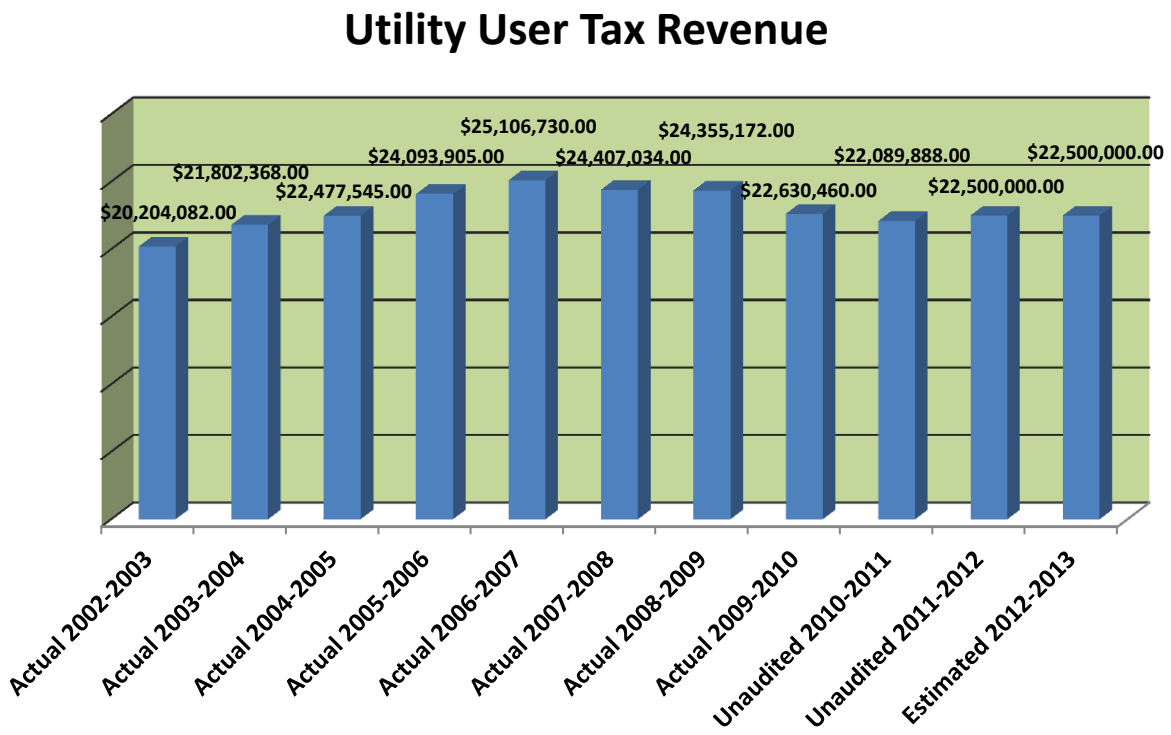
4. Other Revenue Sources

In the aggregate, the City's other revenue sources are projected to generate steady, but not high, rates of overall growth across the City's 2012-2017 five-year forecast period. Major categories for these other sources are outlined below.

Utility Tax & Franchise Fees account for approximately 18.5% of estimated General Fund revenues in the 2012-2013. The City collects franchise fees from companies using public property in the distribution of natural gas, and electricity. The City also collects franchise fees from its integrated waste department and cable television providers. Utility taxes are charged to the users of any given utility (electricity, gas, water, telephone). Utility and franchise fees are less sensitive to the economy than sales and property taxes, and historically have been consistent sources of revenue for San Bernardino in general. At the same time, these revenues are not considered high growth.

Similar to other major revenues, Utility User Tax (UUT) revenues have declined significantly since the peak of 2006-2007. This is due primarily to the City's exposure to foreclosures, which were 3.5 times above the national average. The chart below summarizes the City's collection of UUT revenues over the past 10 years.

Table 11 – Utility Tax Revenue 2002-2003 to 2011-2012



Transfers and Reimbursements account for funds received by the General Fund from other City funds through a combination of means, including operating and capital fund overhead charges, transfers, and reimbursements for services rendered. The revenues in this category can vary significantly each year and are influenced by the following: changes in staffing costs, staffing levels, and the relative proportion of services delivered to other funds; the availability of funding in other funds that are appropriate to transfer to the General Fund; and the performance of Gas Tax revenues, which are transferred to the General Fund to reimburse the City for eligible expenditures.

Business Registration, Licenses and Permit Revenues are generated from payments for the issuance of Business Licenses, Building Permits, Fire Permits, and miscellaneous health and safety-related licenses and permits. For most licenses and permits, the fees charged by a given department are based on full recovery of the estimated costs for providing each service. The demand for these licenses and permits, particularly development-related building and fire permits, are sensitive to economic downturns.

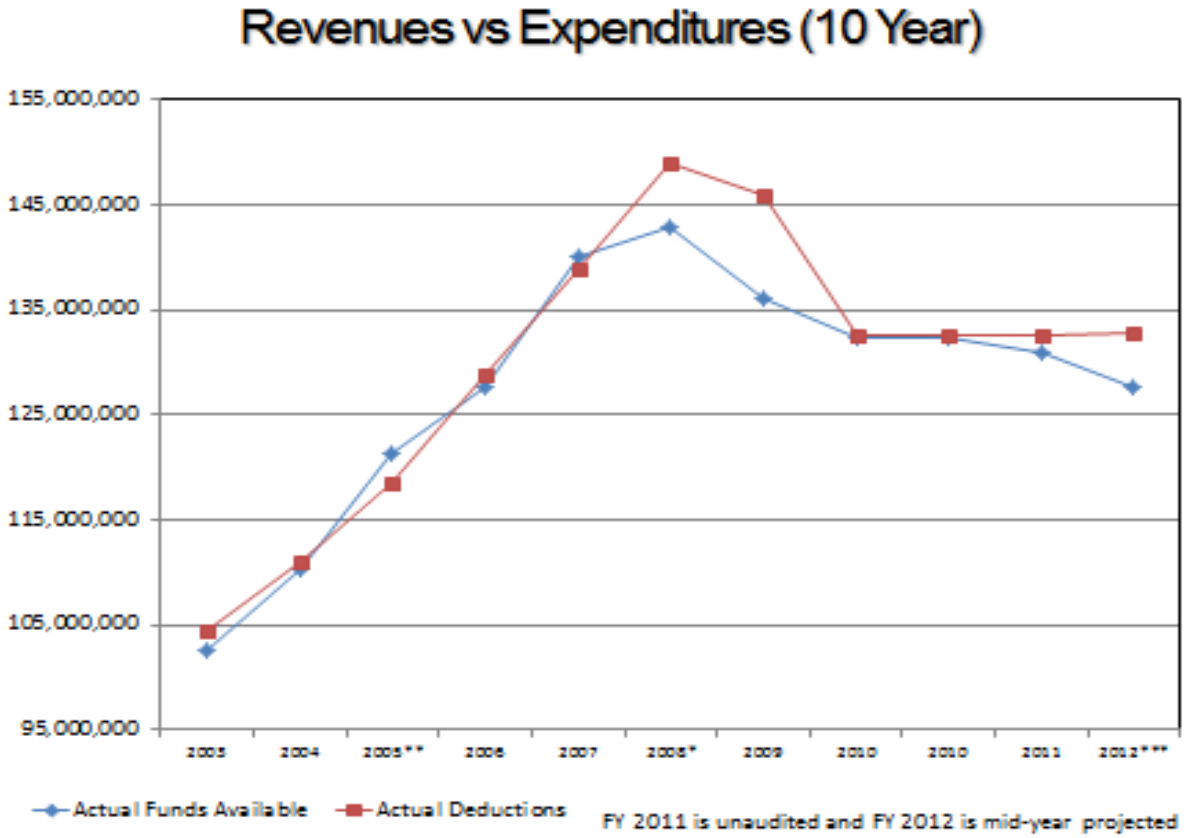
Other Agencies includes revenues from local agencies, revenues from the State of California, and revenues from the federal government. City receives revenues from the State of California in a number of different forms and grants to deliver services. The federal government also provides grant funding to support a variety of programs and services.

Other Revenues include the following categories: Fines, Forfeitures, and Penalties; Transient Occupancy Tax; Other Revenue; and Use of Money and Property. While some of these revenue sources are highly dependent upon market performance, such as Transient Occupancy Tax and interest earnings, the majority of these revenues are not driven primarily by economic conditions.

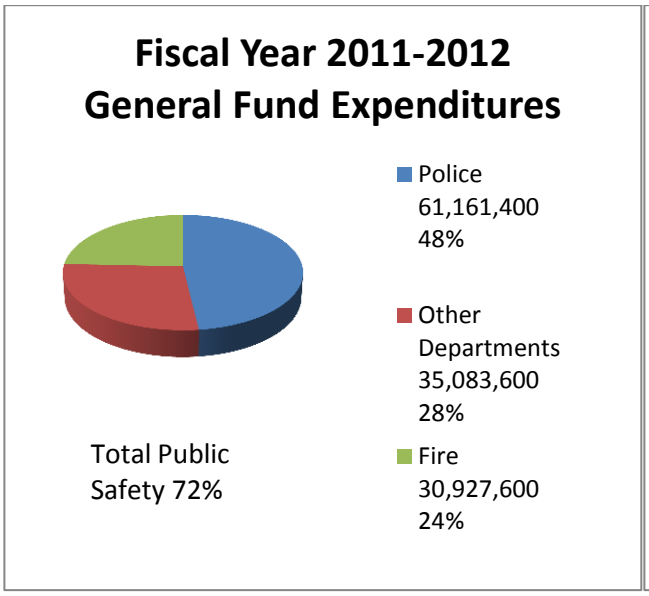
C. General Fund Expenditures

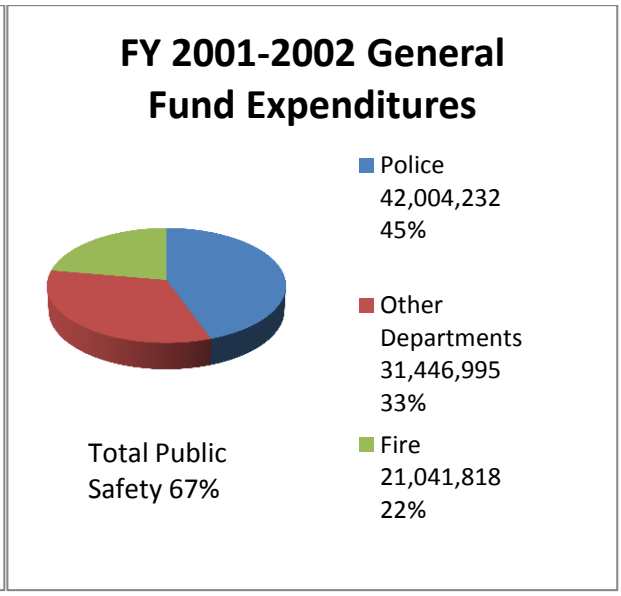
While City revenues have paralleled the weakness in the overall economy, key spending categories have grown much more rapidly outpacing revenues. Over the past 10 years, General Fund revenues and expenses have closely followed one another with expenses significant outpacing revenues since 2007 (see the chart below). City retirement contributions were by far the primary drivers of the City's personnel cost growth across this period. Such benefit cost growth in excess of revenues has severely eroded the City's fiscal resources for maintaining staffing, service, and wage levels, and will continue to do so unless steps are taken.

Table 12 – Revenues vs. Expenditures (10 Year)



The critical takeaway here is that for the City, the cost per employee has been increasing at an unsustainable rate as personnel costs have continued to increase. This is most apparent when looking at the budget information as compared to decreasing positions throughout the City. Over the past three years, the City has eliminated 250 positions. Meanwhile, as noted the comparative pie chart below, General Fund departmental budgets have increased by 27% from $94.5 million in 2001-2002 to $127.2 million in 2011-2012. Because the cost of each employee has risen, the City and its departments have been forced to reduce staff and services in an effort to budget in balance.





The City's budget is heavily focused on public services. In turn, governmental service delivery is labor-intensive – relying on the City workforce to patrol the streets, respond to emergencies, provide libraries and community programs, and deliver the other direct and supporting services of San Bernardino. Nevertheless, the City must continue to seek services delivery efficiencies in order to continue to provide desired services within available resources. As a result, and as noted elsewhere in this report, employee wages and benefits account for two-thirds of the 2012-2013 Budget for the General Fund.

Summary descriptions for the major categories of General Fund expenditures are as follows:

Public Safety: This category represents 69% of the 2012-2013 Budget and reflects the services provided by the Police and Fire Departments. The major expenditures include emergency response to calls for service, fire suppression, emergency medical services, and Police patrol and investigations.

Non-Departmental: The Non-Departmental category represents 8.4% of the 2012-2013 Budget and includes city-wide expenses. The largest components of city-wide expenses include workers' compensation payments, sick leave cash outs, fleet services, and information technology.

Community Services: This category represents 14.6% of the 2012-2013 Budget. It covers programs such as public works, parks, libraries, recreation centers, planning and building development services, and code enforcement.

General Government: This category represents 6.7% of the 2012-2013 Budget and reflects the cost for all management and administrative functions of the City and independent officials, including Human Resources, Finance, City Manager, Mayor, Common Council, City Attorney, City Clerk, and Civil Service Commission.

Debt Service: This category represents 1.3% of the 2012-2013 Budget and reflects General Fund costs associated with the debt obligations to the City's General Fund. This does not include the City's 2005 issue of pension obligation bonds (public safety), as that costs is included with public safety.

III. PERSONNEL & RETIREMENT COSTS AS A FACTOR CONTRIBUTING TO THE STRUCTURAL DEFICIT

It is projected that over the next five years, the City's cumulative retirement contributions will exceed $108 million in all funds with projected annual contributions totaling $19 million in 2012-2013, increasing to over $22 million by 2016-2017. This is not the worst case scenario. Staff was recently informed the CalPERS rate of return for its investment portfolio was 1% for 2011-12 which is 6.5% below the assumed discount rate. This will very likely increase the City's future contributions.

This is not simply a short term issue. These costs are growing at such a rate and are of such a magnitude that they require an ever-increasing share of the City expenditures regardless of the program or revenue source. Retirement reform is needed for the long-term sustainability of the retirement plans and in order to continue to provide even the most basic municipal services to the public.

For the purpose of understanding the root causes and likely outcomes of the City's deteriorating financial condition, it is essential to understand certain aspects of the City's pension and Other Post- Employment Benefits (OPEB). The key points in this section are the following:

- The City's pension and OPEB costs are increasing at a rapidly accelerating rate and will result in broad impairment of the City's services;
- The rapid increase in the cost of retirement benefits is due, in part, to improved retirement pension plans, but also to numerous factors beyond the City's control, including very large investment losses, the likelihood that the plans will not attain current investment return assumptions, actuarial losses, changes in actuarial assumptions based on experience, and the increasing number of retirees relative to active employees;
- The expected changes in GASB pension accounting rules, while not directly addressing changes in funding, will report additional liabilities by requiring public entities to more accurately portray their pension liabilities;
- The impact of these factors will worsen over time and contribute to a dramatic increase in the unfunded liabilities of the plans, with a resulting rapid increase in annual retirement costs;
- The increased retirement costs that the City will experience are unsustainable; and therefore,
- Immediate, major intervention is necessary now.

A. Overview of Pension Benefits

The City provides a pension benefit for vested employees (those with 5 or more years of PERS service credit) based on the member's years of service and his or her single highest year's compensation at the time of retirement. Because the City Charter does not include language regarding retirement plans, the employee labor groups were successfully able to negotiate enhanced pension programs through labor negotiations when the City's coffers and retirement funds were flush. Listed below is a brief summary of the City's enhanced retirement plans.

Table 13 – Enhanced Pension Formulas for the City's Retirement Plans

	Police and Fire	Non-Safety
Age and Years of Service Eligibility	Age 50 with 5 years of service	Age 55 with 5 years of service
Benefit Formula	3% of highest year's compensation for each year of service	2.7% of highest year's compensation for each year of service
Maximum Benefit	90% of final compensation	90% of final compensation
COLA	Guaranteed 2% per year	Guaranteed 2% per year
Final Compensation	Average base pay of employee's highest 12 consecutive month period with the City; excludes overtime and expense allowances	Average base pay of highest 12 month period with the City; does not include overtime or specialty pay
Date of Implementation	Fiscal Year 2001-02	Fiscal Year 2007-08

To reduce the future cost of employee pension benefits, the Mayor and Common Council, through labor negotiations, implemented the following second-tier of pension plans for safety and non-safety employees.

Police and Fire Department Retirement Plan			
	Base Formula	**Benefit**	**Year of Change**
Age and Service Requirement	3% of final compensation for each year of service	At 55 with 5 years of service	2011
Miscellaneous City Employees Retirement Plan			
	Base Formula	**Benefit**	**Year of Change**
Age and Service Requirement	2% of final compensation for each year of service	At 60 with 5 years of service	2011

In addition to the plans above, retirees receive an annual 2% cost of living adjustment (COLA), regardless of the CPI or the state of the retirement funds. This guaranteed COLA was added to the plans many years ago, increasing to the total cost of the Police and Fire Plan and the Miscellaneous Plan.

Pensions are paid out of retirement funds administered by the California Public Employees Retirement System (CalPERS). The plan is designed to prefund pension benefits, meaning annual contributions made over the course of an employee's career (by both the City and the employee) along with investment earnings are expected to pay for all future pension benefits. The "normal cost" of pension benefits refers to the contribution amount allocated to an employee's current year of service. Separate and apart from the normal cost, additional payments may be necessary due to market losses, retroactive benefit enhancements, unmet assumptions or other circumstances that may result in plan underfunding.

B. Overview of Other Post-Employment Benefits

The City's retirement plans also provide for other post-employment benefits (OPEB); specifically retiree medical and dental coverage. Generally, employees are eligible for retiree medical insurance coverage after retirement from public service. Employees are eligible to retire at pre-Medicare age (55 for Miscellaneous and 50 for Police and Fire), which contributes to the significant cost of the benefit. For 339 eligible retirees the benefit covers $112 a majority of retirees and $200 to $450 based on years of service for retired police officers to cover monthly premium costs for healthcare insurance. A few eligible police retirees receive a similar benefit as active general employees. This is an anomaly, since retiree healthcare benefits are commonly less than what is provided to active employees.

The OPEB plans are funded through separate trust funds associated with the retirement plan. The plan has an independent actuarial analysis, which establishes the contribution rates and funding levels. Unlike pension costs, retiree medical costs are limited to fixed dollar amounts. Currently, the City's OPEB benefits and unfunded obligations are funded on a pay-as-you-go basis. Annually, the City pays roughly $628,000 towards OPEB obligations. Currently, the unfunded liability for OPEB benefits is $61 million. Similar to pensions, the City's annual pay-go OPEB costs are also steadily increasing. The Chart below provides estimated growth in pay-go costs over the next ten years.

Table 14 – Other Post-Employment Benefits Annual Pay – Go Estimates

Fiscal Year	Pay-Go Total	$ Change From 2010-2011	% Change From 2010-2011
2010-11	$628,000		
2011-12	$738,000	$110,000	18%
2012-13	$855,000	$227,000	36%
2013-14	$975,000	$347,000	55%
2014-15	$1,099,000	$471,000	75%
2015-16	$1,220,000	$592,000	94%
2016-17	$1,344,000	$716,000	114%
2017-18	$1,470,000	$842,000	134%
2018-19	$1,603,000	$975,000	155%

C. The City's Retirement Contributions are Steadily Increasing

By any standard, the City's pension and OPEB costs have been increasing and are expected to continue current trends. Because of this, over the past 10 years the City has experienced a profound increase in the percent of payroll that it pays to the retirement plans for these benefits. In 2011-2012, the City spent just over $20 million on retirement benefits. Absent swift action to reduce the cost of these benefits, the City is expected to be required to contribute more than $24 million for pension and OPEB costs in 2016-2017 – only four years from now.

While these estimates cover all fund sources, the impact on the City's General Fund is significant since it carried the entire burden of public safety costs. Unfortunately, this is not even the worst-case scenario. Future investment losses would increase the unfunded liability, as would actuarial experience losses, and/or decreases in investment earning assumptions.

The two charts below depict the growth in annual pension costs and unfunded liability. The City has experienced a significant impact with the implementation of the 2.7% @ 55 benefit enhancement in 2007-08 and with the issuance of pension obligation bonds in 2006-07 for public safety. Both of these events contributed significantly to increasing rates along with market losses and adjustments to actuarial assumptions.

Table 15 – CalPERS Actuarial Valuation Rate – Miscellaneous Plan

Fiscal Year	Employer	Employee	Benefit	Unfunded Liability
2012-13	17.355%	8.00%	2.7% @ 55	$55,855,277
2011-12	17.248%	8.00%	2.7% @ 55	$53,627,697
2010-11	13.276%	8.00%	2.7% @ 55	$27,164,865
2009-10	12.544%	8.00%	2.7% @ 55	$19,572,835
2008-09	13.427%	8.00%	2.7% @ 55	$24,580,218
2007-08	15.266%	7.00%	2.7% @ 55	$23,751,661
2006-07	8.947%	7.00%	2% @ 55	$(312,406)
2005-06	7.555%	7.00%	2% @ 55	$(6,769,844)
2004-05	0.000%	7.00%	2% @ 55	$(36,697,738)
2003-04	0.000%	7.00%	2% @ 55	$(69,615,583)
2002-03	0.000%	7.00%	2% @ 55	$(77,006,869)

Table 16 – CalPERS Actuarial Valuation Rate – Safety Plan

Fiscal Year	Employer	Employee	Benefit	Unfunded Liability
2012-13	30.115%	9.00%	3% @ 50	$87,479,247
2011-12	28.277%	9.00%	3% @ 50	$81,636,613
2010-11	23.105%	9.00%	3% @ 50	$55,738,948
2009-10	23.356%	9.00%	3% @ 50	$51,811,181
2008-09	24.009%	9.00%	3% @ 50	$50,058,297
2007-08	18.600%	9.00%	3% @ 50	$83,165,714
2006-07	26.882%	9.00%	3% @ 50	$80,042,391
2005-06*	26.678%	9.00%	3% @ 50	$72,805,694
2004-05	27.386%	9.00%	3% @ 50	$59,128,137
2003-04	20.902%	9.00%	3% @ 50	$17,457,260
2002-03	12.619%	9.00%	3% @ 50	$(6,953,487)

*City issued $50.4 million in pension obligation bonds (not included in the unfunded liability)

As set forth below, in 2000-2001 City pension contribution rates are 7% of pay for Miscellaneous and 14% for Police and Fire. For 2012-2013, however, the City's contribution rates are expected to increase to 25% of pay for Miscellaneous and to 39% of pay for Police and Fire.

Table 17 – City Contribution Retirement Rates (as a Percent of Payroll)

	2000-2001	2012-2013
Miscellaneous	7%	25%
Safety	14%	39%

D. The Primary Cause of the Dramatic Increase in Retirement Costs is a Significant Increase in Unfunded Liabilities

It is important to recognize that the problems leading to this huge increase in retirement costs cannot be addressed by continuing with business as usual. Absent major changes in the pension and OPEB programs, retirement costs will overtake available resources, rendering the City unable to provide even the most basic services to the public.

In general, the increasing costs of pension benefits are attributable to a dramatic increase in the plans' unfunded liabilities. Because unfunded liabilities must be "amortized" over the remaining life of a retirement plan, the amount that must be contributed to pay off that liability must also increase.

1. *The City's Unfunded Liabilities*

a. Unfunded Pension Liabilities

The most current estimate of the City's total pension liability is $959.2 million. In other words, there should be $959.2 million "in the bank" to assure sufficient funding for pension promises already made. However, the two plans had a

combined $639.7 million in assets (market value) or $319.5 million less than what was needed. Thus, using the market value of assets, the City's unfunded liability for both pension plans totaled approximately $319.5 million as of June 30, 2010.

b. Unfunded OPEB Liabilities

Unlike pension benefits, which have traditionally been funded during the working life of an employee, little money was set aside to pay for retiree health benefits – even though, like pension benefits, an actuarial liability arose. In fact, as GASB's adoption of Statements 43 and 45 in 2004 demonstrated, when actuarial studies were required, many cities and counties found they had a very large liability. In San Bernardino's case, this has resulted in an estimated $61 million in unfunded liabilities as a result of promised OPEB benefits.

c. Funded Ratios have Significantly Declined

Adequate funding of a retirement plan is often viewed as a percentage of full funding. As noted earlier, a plan that is fully (100%) funded has all of the assets necessary to pay for the present value of all benefits already earned. The funded ratios of retirement plans have fallen dramatically and are one of many significant issues facing many municipalities throughout the State.

2. Underlying Causes of the Increase in Unfunded Liability

There are four major causes of this increase in unfunded liability:

1. Timing of increases in benefits beyond the basic plans, which were not paid for during the working lives of employees receiving benefits;
2. Investment losses, leading to a failure to meet earnings expectations on plan assets;
3. Actuarial changes in actuarial assumptions based on experience, including increased longevity; and
4. An increase in the number of retirees and the size of their pensions.

These factors have combined to take the pension plans from being at or above full funding levels during the last decade to being underfunded now.

E. The Impact of Enhanced Benefits

Over the years, the City Council has increased pension benefits from the basic levels. These changes which included increases in pension formulas (age at retirement, years of service, multiplier, and calculation of final compensation) occurred as a result of bargaining with employee labor groups. The impact of these changes cannot be overstated.

Importantly, in the case of virtually every pension improvement, the enhanced benefits have been applied to an employee's full service with the City, including service which occurred before the change. These retroactive adjustments have a direct impact on the City's unfunded liability. As an example, consider an employee whose pension formula is enhanced after 29

years of service. For this employee, the City and the employee had contributed to the plan at the lower rate for 29 years. Then, the employee's formula is converted to the higher rate retroactively, regardless of years served under the lower benefit plan. Therefore, neither the City nor the employee contributed to the plan for 29 years at the level necessary to fund the higher level of benefit that this employee will now receive for all 30 years of service when the employee retires a year later. This difference gets added directly to the unfunded liability.

1. Pension Formulas

With respect to pension formulas, the most dramatic changes have occurred in the Police and Fire Plan. Currently, they may earn up to 90% of their final salary. In addition, the minimum retirement age has been lowered from 55 to 50 and changed the determination of final compensation from highest three-year average compensation to highest 12-month average compensation for both plans.

2. COLA

The cost of living allowance (COLA) guarantees annual cost-of-living increases, even in the first year of members' retirement. The current system provides that all pensions receive an automatic 2% increase, regardless of actual changes in the cost of living. Because the COLA is effective on a date certain for each plan, a Police and Fire member can retire on January 31st at 90% of salary and on February 1st – the COLA adjustment effective date – receive a 2% increase, resulting in a pension of 92% of final salary.

3. Other Post-Employment Benefits

At the time Other Post-Employment Benefits (OPEB) were granted, their cost was minimal, and it is safe to assume that no one involved fully anticipated the long-term consequences. Over time, of course, the amount paid and the number of retirees has increased, and the problem is compounded by lower retirement ages, meaning more years before a retiree is covered by Medicare. As a result, as noted previously, the City has an estimated $61 million in unfunded liabilities resulting from promised OPEB benefits.

F. Failure to Meet Earnings Expectations

The cost of increasing pension benefits was masked, to some degree, during the decade preceding 2008 because of rising equity markets leading to miscellaneous plan becoming fully funded and the safety plan in a well funded status. However, with the recession beginning in 2008, the plans became underfunded rapidly and are not expected to recover any time soon.

One of the variables responsible for the increase in unfunded liabilities is the failure of the plans to achieve the annual earning assumptions on which they have been premised. Until 2002, CalPERS assumed earnings of 8.25% when it began phasing in a reduction of the earnings assumption to 7.75%. From 2000-2002 to 2008-2009, much of the new unfunded pension liabilities were caused by investment losses and adjustments. As this report goes to publication, the CalPERS Board has adjusted its assumed earnings rate to 7.50%.

Even strong returns are unlikely to be able to make up for recent market losses. During 2009-2010, each plan saw strong net investment returns 12% for both Miscellaneous and Police and Fire. Positive returns were realized in 2010-2011. However, it would take extraordinary returns over a sustained period to make up for the very severe losses in calendar year 2008 – and few are predicting such returns. Indeed, even the very positive returns for 2010-2011 have undoubtedly been eroded by declines in the equities markets since June 2011.

Nationally, the trend for earnings assumptions has been downward, reflective: (a) the lower yields on bonds comprising 30-40% of pension portfolios, and (b) reduced expectations for equity (stock) investments given the global overhang of sovereign and consumer debt. If the CalPERS Board reacts to this by reducing the actuarially assumed investment rates of return below its current level of 7.5%, the Unfunded Actuarial Accrued Liability (UAAL) for the plans would increase because the difference would need to be made up in contributions. On the other hand, if the CalPERS Board were to leave the earnings assumptions unchanged, and the actual rate of return on invested assets falls below the plans' assumptions, then the UAAL would increase due to the disparity between actual investment results and the actuarially assumed investment rates of return.

Either way, the amortization of those differences would increase the City's annual required contribution beyond current projections.

G. Increase in the Number of Retirees

Another factor in the increase in pension costs – and one that will likely worsen significantly over time – is the rising number of retirees relative to active employees. The increasing ratio creates a risk of even higher future contribution rates. This means that the annual cost to pay down the unfunded liability is spread across fewer active employees

In San Bernardino, as the number of active employees as a percentage of overall pension plan membership has decreased, the payments to retirees out of the plans have exceeded payments by active employees into the plans. The negative effect of this maturation of the plans during a down market cannot be overstated. As a result of the confluence of events, the impact of negative investment performance is exaggerated because the system has a negative cash flow. With not enough new money flowing in, the system is forced to sell assets at historically low values, when it should be "buying low" in anticipation of the eventual market recovery. Now the cost of recovering from a recessionary market decline escalates.

H. Conclusion

Without compensation reforms, pension and OPEB contributions are expected to amount to roughly 14% of total General Fund Expenditures by 2015-2016 totaling about $24 million (excluding pension obligation bond debt).

In absolute dollars, San Bernardino's General Fund employee pension costs have risen from $6.2 million in 2000-2001 to $19 million by 2012-2013, and are projected to reach $22.6 million by 2015-2016 if no reforms are adopted – in total, a $3.6 million increase in annual spending.

Unsustainable compensation costs are not San Bernardino's problem alone. Retirement costs have significantly increased across the country. Concern about how to pay for retirement benefits is a national issue. What is important to grasp from these increases is that the City has worked very hard to absorb these increases to date. There have been severe consequences to this as we find ourselves facing Chapter 9 Bankruptcy.

IV. EFFORTS TO ADDRESS THE FISCAL CRISIS AND CONSIDERATION OF ALTERNATIVES TO CHAPTER 9 BANKRUPTCY

The City has made reasonable efforts over the last several years to address its fiscal situation, and continues to do so. Most recently, the Mayor and Common Council adopted a Fiscal Emergency Operating Plan to address the City's budget shortfalls. Moreover, as discussed below, the City has considered – and continues to consider - other proposed solutions for addressing the rising personnel costs. However, it must be noted that the service-level impacts are in fact another alternative, albeit one with potentially unacceptable consequences since the City will be rendered unable to provide basic municipal services. That dire situation will be the unacceptable outcome if the City does not swiftly address the fiscal emergency and reduce its operational costs.

The City has also considered and is pursuing other ways to control costs and avoid unacceptable service cuts. Some of these are discussed below. Ultimately, even if the City is successful in achieving all of the ways to control costs outside of changes to retirement benefits, they are insufficient to solve the crisis.

A. Past Budget Workshops and the City's Budgetary Analysis and Recommendation for Budget Sustainability

Over the past decade, the City has balanced General Fund budget shortfalls through a combination of strategies, including cost reduction strategies and revenue strategies. Given the severity of the City's current financial condition and immediate cash flow issues, it is no longer feasible to rely on these strategies alone to balance the budget without reducing services and seeking Chapter 9 Bankruptcy protection.

On April 3, 2012, and July 09, 2011, the City Manager presented opportunities and options to deal with the City's rapidly declining fiscal health to the Mayor and Common Council. It should be noted that the Common Council has subsequently provided additional direction on materials presented. The recommendations contained in the presentations were designed to balance cost reduction strategies and revenue enhancements. Following is a discussion of those strategies, some of which have already been implemented.

1. Cost Reduction Strategies

The budget workshop and Budgetary Analysis and Recommendation for Budget Sustainability Plan identified several strategies to reduce costs, including departmental cuts, reduced compensation for existing employees; reduced costs for sick leave payouts, vacation buybacks and overtime pay; and cost sharing of retirement obligations necessary to avoid further increases in retirement costs. Through bargaining, the City achieved a 10% total compensation reduction from most employees and established a two-tier pension plan for new employees. Although this reduction saved approximately a net $10 million per year, it is not enough to resolve the continuing increases in retirement and operational costs.

As part of the Budgetary Analysis and Recommendation for Budget Sustainability Plan, the City is pursuing the elimination of sick leave payouts, reduction in overtime and elimination of sellback programs. The City is meeting and conferring with the rest of the bargaining units and will continue to do so through the bankruptcy process. It is the Administration's goal to phase out sellbacks and to pursue changes to overtime identified in the Budgetary Analysis and Recommendation for Budget Sustainability Plan during this round of negotiations.

Although the savings above identified in the Budgetary Analysis and Recommendation for Budgetary Sustainability Plan are significant, the most significant are cost sharing of retirement benefits, which will require successful collective bargaining.

2. Revenue Strategies

The Budgetary Analysis and Recommendation for Budgetary Sustainability Plan identified the following revenue measures: (1) Real Property Transfer Tax; (2) Utility User Tax Modernization; (3) Transient Occupancy Tax; and, (4) 911 Communications Fee. Each of these revenues measures, however, would require voter approval.

It is important to note that the City's ability to raise revenue through taxes and fees is severely constrained by the California Constitution, as modified by several statewide ballot measures, ranging from Proposition 13 in 1978, to Proposition 218 in 1996, to 2010's Proposition 26.

Proposition 13 limited the revenue that cities may receive from property taxes by capping both the assessed value of property and the tax rate allowed. Proposition 13 also imposed a requirement that "special taxes" be approved by a two-thirds supermajority of voters. In 1984, Proposition 62 extended a voter approval requirement to "general taxes" imposed by cities. In 1996, Proposition 218 imposed further restrictions on cities' ability to impose property-related fees, reaffirmed voter approval requirements for all taxes, and granted voters the right to repeal or reduce taxes or fees through the initiative process. Although Proposition 218 continues to be interpreted through the courts, it is clear that it has created an additional significant barrier for local governments in attempting to control financial outcomes.

Proposition 26, the most recent restriction on the City's ability to raise revenue, extended voter approval requirements to "regulatory fees" by reclassifying such fees as taxes. An example of a regulatory fee is a fee imposed on manufacturers of products containing lead to fund health services and mitigation of the environmental impacts of lead. By requiring voter approval for such fees, Proposition 26 significantly restricted one of the few remaining options for cities to raise revenue.

A challenge facing Mayor and Common Council whenever evaluating whether or not to place revenue measures before the voters is how to weigh the marginal support typically seen in pre-vote surveys. In judging whether to place a measure before the voters, the Mayor and Common Council must weigh the likelihood that marginal voters who are

"leaning" in support of a measure will vote in favor of the measure, against the knowledge that the City generally will only get one "bite at the apple" when it comes to any particular revenue measure, and that the cost for that one "bite" is extremely high, whether it wins or loses. According to most well regarded advisory firms, once voters reject a measure, it is often significantly more difficult to pass in a subsequent election. In other words, the likely chance of passage is reduced once a ballot measure has been rejected. These combined concerns have prompted the Administration to take a cautious approach when considering recommending revenue measures to the Mayor and Common Council.

Following is a discussion of each of the four potential tax measures included in the Budgetary Analysis and Recommendation for Budget Sustainability Plan.

Real Property Transfer Tax

In California, localities including San Bernardino have imposed a tax on the transfer of property located within the city. The tax, known as the documentary transfer tax or real property transfer tax, is largely based on the federal documentary stamp tax, which was repealed in 1976. In California, counties and cities have been authorized to impose a tax on deeds of transfer of realty located within such county or city. The amount of the tax is based on the consideration or value of the realty transferred. The current County rate is one dollar and ten cents ($1.10) for each one thousand dollars ($1000) of value. Of that amount, the City receives $0.55 and the County receives the remaining $0.55. Charter cities, however, may impose transfer taxes at a rate higher than the county rate. The transfer tax must be paid by the person who makes signs or issues any document subject to the tax or for whose use or benefit the document is made, signed or issued. Real Estate Transfer Taxes, authorized as documentary transfer taxes by the California Revenue and Taxation Code on the sale or transfer of real property are currently levied by all counties and many cities.

Real Property Transfer Taxes may be applied only to residential sales or to other types of real estate transactions including commercial and industrial sales. Revenue raised from the Real Property Transfer Tax is added to the City's General Fund.

It is recommended the City Council consider implementing a rate of $5 per $1000 of value to provide a base level of funding necessary to deliver essential services to the community. The proposed rate would generate roughly $3 million annually.

Utility User Tax

Many cities charge a tax on utilities, ranging up to 9.5% (Huntington Park). San Bernardino currently charges 7.75%. Each 1% increase on utilities currently taxed (telephone, cable, electric, and gas) would yield approximately $3 million annually. Each 1% on utilities not currently taxed (sanitary sewer service, sanitation, refuse collection) would yield several hundred thousand dollars annually.

Utility user taxes (UUT) are paid by San Bernardino residents and businesses and are collected by the utility providers who serve them. The utility then remits the tax payments to the City. Annual revenue in FY 2010-11 from utility user taxes (electric, gas, cable, land line phone, and cell phone) was $22 million. The City has made annual revenue projections considering possible tax increases at 1% and 2%. Further, sanitary sewer service, sanitation, and refuse collection are currently not part of the utility user tax. The City may want to consider modernizing and expanding the utility user tax to cover utilities not currently included.

A utility user tax increase can only be voted on during a general election. A simple majority is needed unless the City Council declares a fiscal emergency and puts the potential tax increase to a vote during a special election. It should be noted that costs for special elections are higher. For San Bernardino, a special election costs approximately $200,000.

Transient Occupancy Tax

The Transient Occupancy Tax (TOT) is a tax charged on hotel stays. San Bernardino presently has a TOT rate of 10%, which is the County average. In the San Bernardino / Riverside County area, some cities charge as much as 12.7% (Palm Springs). For our City, TOT generates just under $2,500,000 per year in revenues, meaning that each 1% of the tax generates about $250,000.

Increasing the rate by 1% would put the rate at the highest level in the County and would generate only $250,000 in revenues. There might also be some negative impact of the higher tax rate on occupancy rates at the local hotels and spas. For these reasons, we are not recommending an increase of the existing TOT.

911 Communications Fee

While often called a "fee," this potential revenue source is actually a tax requiring voter approval. A 911 communications fee would yield approximately $6.7 million a year. The tax would be charged on most personal and business telephone lines and cell phones

in the City. Some exemptions typically exist, mainly relating to customers on lifeline service and service to non-profit organizations and government offices.

The City of San Jose has implemented this fee and estimates that approximately 90% of the phone accounts in their community are taxed. The justification for charging a fee to telephone subscribers is that only people who have telephones can call 911 for emergency services. As stated in the San Jose ordinance, "Subscribers to telephone service derive significant benefits from ongoing operation of the modernized integrated system installed at the San José Emergency Communications Center" in the form of more efficient dispatch of services to a 911 emergency request.

B. Best Cases Revenue Scenario Does Not Solve the Problem

Certain measures included in the City's Budgetary Analysis and Recommendation for Budgetary Sustainability Plan have been considered by the Mayor and Common Council in recent years. While approval of all the measures would provide substantial new revenues to the City, placing multiple revenue measures on the same ballot is likely to reduce support for all of them. However, it is important to note that, in the context of declaring a fiscal emergency, all of these potential revenues together would only garner about $12 million annually, which would only cover approximately 27% of the FY 2012-13 projected shortfall.

1. Other Revenue Alternatives Rejected

While not included in the Budgetary Analysis and Recommendation for Budgetary Sustainability Plan, the Administration has also reviewed political and voter support for a number of other potential revenue measures, none of which has demonstrated sufficient support to merit serious consideration. Among these are:

- General purpose taxes requiring a simple majority to pass:
  - Increase in the Sales Tax
- Parcel taxes requiring a super-majority (two-thirds) to pass:
  - Parcel tax supporting "landscape and energy-efficient lighting":
  - Parcel tax to support "police, fire, and other critical services":
  - Parcel tax to help maintain City library services:
  - Parcel tax to "protect and maintain City infrastructure services like libraries, street and park maintenance, traffic signals and roadway markings maintenance":
  - Parcel tax to "protect and maintain public safety services like police patrols, 9-1-1 emergency response, and fire protection":

2. Spending Down Reserves

In a time of fiscal crisis, the use of reserves is one of the options to consider as a short-term approach to bridge funding gaps in order to continue providing essential municipal services. The City has drawn down its reserve levels over the last several years, and this practice has proven unsustainable. Effectively, San Bernardino's actions have been equivalent to those of a homeowner drawing down from their savings account to pay for monthly mortgage and grocery bills that exceed their regular paycheck. So long as the savings last, such a practice can buy time to either find a better paying job, and/or to cut down on monthly expenses. Because insufficient changes were not made with such recurring income and spending, the City's reserves have been depleted.

The Administration strongly believes the City needs to implement strategies to restore reserves to address any unforeseen circumstances as it serves as the City's safety net. Without these funds, the City would not be equipped to address significant unforeseen expenditure needs or to offset large drops in revenues in the future. It is imperative that

the City be in a position to meet its financial obligations each year and must prudently plan to do so.

There are strong budgetary and strategic reasons for the City to maintain adequate reserve levels and to avoid using one-time funds to balance the budget. More importantly, because this deficit is structural in nature and because reserves by definition are one-time monies, the City would simply be shifting the budget problem out one year. Then, the City would be worse off the following year as it would have to not only resolve the added gap, but it would also have no reserves or one-time monies to balance the budget or to address unforeseen circumstances.

C. CONCLUSION

The City of San Bernardino faces a fiscal crisis of staggering proportions. The City has attempted to close budget shortfalls every year for the past decade, largely through reductions in staffing and one-time revenues. Citywide staffing levels have dropped by almost 20% in recent years, reserves have been fully depleted and General Fund cash is negative $18 million.

Despite these reductions, the City's cost of providing services has continued to rise. Personnel costs are the major factor driving the increased cost of providing services. Expressed as a percent of payroll, retirement contribution rates have increased from 7% of pay for the Miscellaneous Retirement Plan and 14% for the Police and Fire Retirement Plan to a projected 25% of pay for Miscellaneous and more than 39% of pay for Police and Fire. In other words, for every $100 paid for police and fire payroll, the City will be required to pay an additional $25 to $39 into the retirement system.

As a result of these increasing costs, the City projects budget shortfalls for the foreseeable future. Those shortfalls are anticipated to grow on a cumulative basis, if no corrective action is taken, from $40 million in FY 2012-13 to over $45 million by FY 2015-16. Absent a dramatic change to the accelerating cost of employment, the City will have to close these budget gaps by cutting and potentially eliminating already reduced services below acceptable levels.

For all of the foregoing reasons, the Administration recommended the Mayor and Common Council adopt a resolution of fiscal emergency and seek Chapter 9 Bankruptcy protection based upon the need to find and implement solutions that may require the assistance from the Bankruptcy Court.

V. BUDGET & OPERATIONAL RESTRUCTING PLAN

A. Preliminary Fiscal Year 2012-13 General Fund Budget

The Preliminary FY 2012-13 General Fund budget of $166.2 million represented a baseline budget, which is a continuation of the status quo with projected increases in pension costs and other post-employment benefits, one time equipment purchases, as well as other services and supplies that must be purchased by the City to maintain the current level of service. The estimates in the Proposed Budget assume the restoration of the employee concessions, many of which have expired, and do not include Cost of Living Adjustments (COLA) or other compensation increases such as step increases.

Appendix A is the Proposed FY2012-13 General Fund Budget, which reflects $121.9 million in revenues, not including transfers, and $143.9 million in department proposed expenditures. The budget includes the Summary of Revenues, Expenditures, and Changes in Fund Balance, Requested Budget by Department including Line Item Detail, Salary and Benefit Schedules by Department, and Department Organization Charts.

Key expenditure assumptions for FY 2012-13 include:

- Significant restructuring is proposed in each department (detailed below). Overall, the Administration is seeking a 30% reduction in expenses to balance General Fund expenses with estimated resources in this fiscal year.
- CalPERS costs are driven by the State's actuarial report that includes a 0.5% lower CalPERS discount rate for investment earnings which contributes to a 14.4% increase in costs for FY 2012-13 and a 4.6% increase from FY 2012-13 to FY 2013-14. Lower City payroll will drive up part of the CalPERS liability rate that pays off the unfunded liability. The major risk is additional reductions in the discount rate and/or CalPERS investment performance, which would drive employer rates up further. Future labor negotiations or court rulings could result in changes to the City's costs related to retirement benefits.
- Increases in salaries in FY 2012-13 is the result of absorbing the costs related to safety personnel that had been paid by grants in the past. Changes in safety grant funding have occurred since the preparation of budget documents. The impact of these changes will be addressed later in this report.
- Employee health care costs are estimated to grow by 5%. There is the risk that future labor negotiations or court rulings could result in higher City costs.
- Other Post Employment Benefit costs continue to increase. The June 30, 2009, actuarial report assumes annual growth averaging 8 to 9% over the next 5 years.
- Net debt and equipment lease costs are projected at $5,185,548.

Key revenue assumptions for FY 2012-13 include:

- Pursuant to the revenues budget, property tax will increase in FY 2012-13 by 4%. The FY 2012-13 estimates was provided by HdL, the City's property tax auditor. Looking forward, Proposition 13 will hold down property tax growth as the annual assessed value adjustments of properties, which are already selling at deflated levels, are limited to the lesser of the

change in the California Consumer Price Index (CPI) or two percent, unless sold. Sale prices will depend on the rate at which the market recovers and whether trends shift to renting closer to work, rather than owning property farther away from work. The long-term trend is a straight line, although it is anticipated there will be short term fluctuations.

- Sales tax is based on HdL estimates through FY 2015-16, and assumes 3% annual growth per year. Long-term CPI growth is projected at 2.5%. The shift toward non-taxable services and non-taxed internet sales will hold down growth over time.
- There is no growth projected for the Utility User Tax as increased utility costs, which would generate more revenue are negated by increased user conservation, vacant properties as a result of foreclosures and cost savings measures.
- Business Registration Fees are projected to grow 4% in FY 2012-13 due primarily to increases in sales and business to business activity.
- The Franchise Tax is subject to similar user conservation and technology trends, and therefore, is anticipated to be flat when compared to previous year revenues.
- New revenues which may be considered and approved by the Mayor and Common Council in the future aren't included because no new revenue sources have been approved, and even if approved, new revenues would not be realized until some future date, or would not be immediately available.

B. Fiscal Year 2012-13 General Fund Reduction Methodology

Given the limited resources to the City, the recommendations that follow include profound budget cuts that in many cases will have significant impacts on service delivery and City's employees. Given the significant cash flow problems facing the City and immediacy of the problem, the Administration was unable to engage the community in the process of prioritizing programs and services prior to making recommendations for service cuts. Despite the inability to engage the community, the Administration has worked to minimize the impact and preserve basic services to the community.

The following core concepts have guided the development of the Proposed FY 2012-13 Budget:

- Priority was placed on front-line public safety services;
- Basic levels of infrastructure and public property maintenance were preserved;
- As many basic programs and services as possible were retained;
- Minimum levels of leadership and administrative support were maintained to the extent practical; and
- Opportunities to build operating reserves, begin to fund unfunded liabilities, and to address the cash deficit will require additional cuts, and therefore, the Administration will seek further policy direction from the Mayor and Common Council in the near future.

The Proposed FY 2012-13 Budget is a balanced approach which reduces overall General Fund expenditures from the preliminary budget of $166 million to $143.9 million. Recognizing that, the Proposed Budget focused on the elimination of specific non-essential programs and services and related personnel costs.

Key elements of the Proposed FY 2012-13 Budget include:

- Elimination of mid-management positions in the City Manager's Office and reassignment of the Grants Coordinator position to the Parks, Recreation and Community Services Department.
- Existing personnel in the City Manager's Office would assume responsibility for the Economic Development programs as a result of the State dissolution of Redevelopment Agencies.
- Consolidation of the Finance, Information Technology, and Human Resources Departments into an Administrative Services Department resulting in the elimination of two Department Director positions.
- Administrative positions in the Mayor's Office, which were responsible for neighborhood services and environmental programs and projects would be eliminated and the duties absorbed by the remaining personnel in the City Manager's Office. The two Operation Phoenix sites would be eliminated.
- The Code Enforcement function, which is currently in the Community Development Department, would be moved to the Police Department to provide greater efficiency and coordination of the various enforcement functions.
- Disaster Preparedness, which is currently in the Fire Department, would be moved to the Police Department to provide greater organizational awareness and preparedness.
- The Community Development Department would assume responsibility for the Housing functions previously handled by the Economic Development Agency that was recently dissolved by the State.
- Responsibility for the maintenance of the City's Landscape Maintenance Districts, park maintenance, and street tree maintenance could be moved from the Parks, Recreation, and Community Services Department to the Public Works Department and the work would be contracted with private vendors.
- Custodial services throughout the City would be contracted with a private vendor.
- Workers' Compensation and Risk Management functions would be contracted to a third party administrator to reduce costs and enhance efficiencies.
- Essential services such as front-line police and fire personnel are preserved; however, cuts to proactive policing and fire prevention programs, parks, community development, libraries, and public works programs are substantial.
- Personnel reductions and organizational restructuring are estimated to reduce salary and benefit costs by $15.66 million annually.

C. Preserving Essential Safety Services

1. Fire Department

Continued cuts to the Fire Department will have a negative impact to internal operations and will affect the residents of San Bernardino. However, the Administration and Fire Department Management, have the responsibility of taking the necessary actions to insure the City will continue to provide essential services to the public for the long term. Nevertheless, cuts to public safety can't be ignored during a bankruptcy. In fact, necessary but prudent cuts will have to be made.

Fire Department Comparisons

To put the proposed cuts in context, Fire Management staff researched two cities that have filed bankruptcy in California. The comparison is based on how the cities of Vallejo and Stockton managed their fire departments prior to and after bankruptcy.

VALLEJO - Upon entering bankruptcy, four of Vallejo's eight fire stations were closed. These closures caused daily fire suppression staffing to be reduced from 28 to 15 on-duty personnel. Vallejo has since re-opened one fire station after obtaining a SAFER grant. (Information obtained through personal contact with Vallejo Finance Administration Staff and a National Public Radio On-line Report 9-27-10)

STOCKTON – Stockton had a fire department that was similar in size to San Bernardino and a population that is larger by approximately 100,000 people, with similar demographics. Two years ago, Stockton began by eliminating a five-person truck company and followed that by closing a four-person engine company. The City of Stockton continued budget cuts by reducing the 13 remaining engines to three-person staffing and three truck companies to four-person staffing. This resulted in 36 firefighters being laid off. (Information obtained through personal contact with Dave Rudat, Interim Fire Chief, on July 13, 2012)

In addition to the above, Vallejo and Stockton Fire Department employees gave up significant salary and/or benefits, either prior to the bankruptcy filing or as a result of the filing.

Several of the City's neighboring fire departments have reduced fire suppression staffing the last several years:

- Colton Fire Department has eliminated an Engine Company, paramedic squad, and a Chief Officer position
- Rialto Fire Department eliminated an Engine Company, 2 Chief Officers, and the Fire Marshal position
- Redlands Fire Department has eliminated 3 Chief Officers positions
- Loma Linda Fire Department eliminated a Chief Officer position and is sharing administrative duties with the Colton Fire Department

Prior Budget Reduction Actions

Like other City departments, the Fire Department's cuts began in 2008 with concessions from the fire management group and then continued with various concessions from all the employee groups within the Fire Department over the following years. Personnel cuts have also been made during this time period and have resulted in some unavoidable negative impacts.

Fire & EMS Program - Eighteen firefighter positions have been eliminated, this resulted in six engine companies being reduced from four-person staffing to three-person staffing. Currently, only two truck companies and one single engine company has four-person staffing. This equates to an 11% reduction in fire suppression personnel compared to 2008 levels.

This has caused firefighting companies to lose efficiency on the fireground, as well as other emergency incidents they respond to. Staff members have been asked to "do more with less" and have done a terrific job. The recommended standard as set by the National Fire Protection Association (NFPA) is for engine companies to be staffed with four people. The City's goal was to work toward that recommendation prior to the downturn in the economy. The Administration and Fire Management recommend the City continue to seek the NFPA recommended level of four personnel per company when financially possible.

Chief Officers - A total of three chief officer positions (Deputy Chief, Fire Marshal and Training Division Chief) have been vacated. These vacancies became effective with the action the City Council on July 2, 2012. This has resulted in a daily staffing level of one Fire Chief during the day and two Battalion Chiefs working a 24-hour shift schedule. Prior to this cut, there had already been a reduction of one Chief Officer Position and a management re-organization to handle the responsibilities in a safe and effective manner. The current management structure of the Fire Department is unsustainable for any length of time. The Deputy Chief and Fire Marshal positions need to be filled within this fiscal year.

The current staffing equates to a 30% reduction of Chief Officers as compared to 2008 levels.

Community Risk Reduction Program – To date, a total of 6 of the 15 positions have been eliminated: Senior Administrative Assistant, Fire Plans Examiner, Fire Prevention Officer, Fire Prevention Technician, Code Enforcement Officer II, and Public Education Officer. In addition, a Fire Prevention Officer (FPO) retired effective August 1, 2012, and the position will be left vacant. Any further vacancies in the Community Risk Reduction Program can be held vacant, thereby achieving further cost savings.

The continued reduction in staff will result in a loss of revenue, delays of fire plan checks, reviews/inspections, inspections of permitted occupancies (i.e. restaurants, day cares, churches, commercial buildings, etc.), and delays of multi-family housing inspections, as well as a decrease in service to developers interested in beginning projects in San Bernardino. At this time, it is not possible to calculate the loss of revenue. The department will no longer have a proactive Public Education program, and the City will be limited in their participation in community events.

During the remaining portion of this fiscal year, the Administration and Fire Management anticipate the need to either out-source or hire part time personnel to assist with fire plan check reviews. Primary reasons are due to the complexity of the plans and

lack of staff available to review them in a timely manner.

The Community Risk Reduction Program is self-sustaining and provides an essential service. After reviewing the structure and complexity of the program, Administration and Fire Management do not feel that the same job can be "handed off" to someone else to provide the service without a significant loss of revenue and service to the citizens. There would be no viable cost savings associated with any further re-organization of the Fire Prevention Bureau.

The current staffing equates to a 30% reduction of the Community Risk Reduction Program compared to 2008 levels.

Administration and Fleet & Equipment Program – The Administration and Fleet & Equipment Program has sustained a total loss of three positions: Training Captain, Administrative Assistant Training, and an Equipment Mechanic II. This has left only four personnel in the Fire Shop and seven personnel in Administration.

The Fire Department is no longer able to offer training classes, which did provide a source of revenue, to the department members and to those outside the department. The ability to maintain the fire apparatus is becoming increasingly challenging due to limited manpower and lack of funding for replacement parts and/or apparatus. Further cuts to shop personnel would greatly jeopardize response capabilities and the safety of personnel.

Administration and Fire Management recommend no further cuts be imposed in the Administration and Fleet & Equipment Program area. In the event of future retirements, some of the positions may be held temporarily vacant requiring staff to come in on overtime to continue essential operations based on the need of the department. The exceptions would be that if either the Emergency Medical Services Coordinator or the Administrative Analyst II positions become vacant, these positions would need to be filled immediately.

The current staffing equates to a 40% cut of personnel as compared to 2008 levels.

Disaster Preparedness Program – The Emergency Services Manager assigned to this program was also identified in the City Council action of July 2, 2012, to be held vacant through attrition. Administration and Fire Management anticipate this to occur prior to the end of 2012 calendar year. Approximately 60% of this position is funded by grant monies. At this time, Administration and Fire Management cannot estimate the savings associated with this position. The loss of this position will require the duties and responsibilities be reassigned to another City department as they are vitally important. The loss of this position will severely limit our ability to prepare and respond to both man-made and natural disasters, our ability to recoup our costs associated with providing service during these incidents, leaving the City liable for the cost, and our ability to apply for and manage grants that we currently rely on for equipment and training.

Emergency Communications – There are eleven personnel assigned to the Fire Dispatch Center, including a Fire Communication Manager and ten Dispatcher II positions. The Fire Department's Emergency Communications Center is located at the Police Department Dispatch Center. This is the minimum number of staff needed to provide for two dedicated fire dispatchers on duty 24 hours a day and supervision.

Over the past several years, out-sourcing fire dispatch services has been explored with the dispatch center run by San Bernardino County, known as Comm Center. The result has consistently been that out-sourcing will not provide a monetary savings to the City nor increase efficiency of dispatch operations. This can be explored again as an option. Fire Management has made some preliminary inquiries but would need to receive further direction to pursue an official proposal.

There are several factors that could complicate this potential move. The City has a contractual obligation to provide dispatch services for the San Manuel Band of Mission Indians (SMBMI) Fire Department. The contract will expire in July 2017. This contract has been paid in full by SMBMI and would have to be re-negotiated. Also, the City has a contract with American Medical Response (AMR) which generates approximately $320,000 annually in revenue to the City. This is accomplished through an agreement with the Inland Counties Emergency Medical Agency (ICEMA) and AMR, enabling AMR to reduce staffing based on our ability to arrive on scene and provide Advanced Life Support (ALS) services. A percentage of their savings are passed on to the City, based on the response times. These agreements would have to be re-evaluated to determine what, if any, impact there may be if a change were made.

The City's Dispatch Center also utilizes Emergency Medical Dispatching (EMD), which is now becoming the industry standard. EMD allows the City to prioritize medical emergency calls and send only an ambulance if appropriate. Comm Center is adopting this program and this too will have to be evaluated to determine the impact to our contracts and agreements.

Administration and Fire Management believe it would take several months, if not longer, to evaluate and implement out-sourcing of our fire dispatch services, if it proved to offer tangible benefits. At this time, there are no changes proposed to the Emergency Communications Program for this fiscal year, however, it may be prudent to consider out-sourcing in the foreseeable future.

The net result of the cuts currently in place is a total of 25 positions either vacated or eliminated department wide. This includes the retirement of the FPO position on August 1, 2012, which will be held vacant. This is an approximate cut of 15%, department wide, as compared to 2008 staffing levels.

Proposed Restructuring in the 2012-2013 Budget

As referenced above, on July 2, 2012, the City adopted the proposal for the Fire Department Staffing Efficiencies presented by the City Council. The proposal identified

reductions to areas of the Fire Department that were considered non-critical. The implementation of this proposal was projected to provide $950,000 of cost savings in the Fire Department for FY 2012-13.

In addition to this proposal, the Fire Department has reviewed the FY 2012-13 discretionary funds and submitted to the Director of Finance additional proposed savings. The potential savings is $82,200 annually and is attributed to the reduction of non-critical staffing and associated program areas. The combined total is an estimated savings of $1,032,200 for FY 2012-13.

To achieve additional budget efficiencies, several measures are recommended.

***Measure 1* - E**liminate seven vacant firefighter positions which are currently backfilled. This will result in both truck companies and one single engine company being staffed as three-person companies. This will affect both Truck 224 and Truck 221 on all shifts and ME231-A Shift. These ladder trucks are housed in the north and south battalions respectively and ME231 is located in the south end of the City on Vanderbilt Way. These positions are currently vacant and there will be no lay-offs of personnel or backfill required due to constant staffing following elimination. This will achieve an approximate savings of $946,879 annually in salary and benefits.

***Measure 2* -** Unstaff one Engine Company. This will reduce the total number of engine companies in the City from 12 to 11 and result in a loss of three Fire Captains, three Fire Engineers, and three Paramedic/Firefighter positions. Unfortunately, there will be a total of nine demotions as a result of this cut. Each of the individuals demoted will maintain reinstatement rights for two years. With projected retirements, all but a few will be reinstated by the end of this calendar year, and the remainder will be reinstated next year.

There will not be any lay-offs as a result of this proposed cut. The demotions will be absorbed by positions that are currently vacant and are backfilled each day. This cut will achieve an approximate savings of $1,409,499 annually in salary and benefits.

There are alternative methods that can be used to facilitate the loss of the Engine Company, none of which are desirable.

- Rotate the closure among several stations throughout the City (Brown Out)
- Close one single station in the City

Each method has its advantages and disadvantages. After consulting with fire department staff and surrounding fire departments that have had to implement similar cuts, the Administration and Fire Management recommend the brown out option for several reasons. This would allow the City to maintain optimal coverage in the core of the City where the bulk of the call load occurs. It would have the least impact on overall response times and provide reasonable coverage to all areas of the City. It would also provide for the best station security and logistical management of staffing. Based on these desired results, Fire Management proposes browning out the following stations:

- Station 225 – located near Kendall and University (5th Ward)
- Station 228 – located at Highland and Orange (4th Ward)
- Station 229 – located at 2nd and Meridian (3rd and 6th Ward)

Each fire station would be closed for 48 consecutive hours approximately once a week for a total of ten days per month on average. The rotation would follow the shift schedule, allowing for staff and fire personnel to adjust workloads, plan for staffing and maintain station security. Coverage can be adjusted based on weather events, planned events within the response district or any other issue that may arise.

Each of the stations selected averages four calls per 24-hour period; this would impact the least number of calls per day and still maintain reasonable coverage to the City. Station 232, located on Palm and Kendall, does average two calls per 24-hour period but due to an extended response time into the district from surrounding fire stations and other factors, this fire station was removed from the proposed brown out.

Fire Management remains concerned about the effects of these cuts and the impact they will have on the following:

- An increased risk to public and firefighter safety due to the inability to provide sufficient management of incidents.
- A possible increase in response times to both fires and medical emergencies. These factors could result in an increased loss of life and property.
- Potential loss of revenue from our AMR contract.

Fire Management has expressed deep concern about the cuts to staffing and the possible effects these reductions could have on the department's operation. However, given the financial health of the City, severe cuts from all departments, including public safety, are necessary to solve this problem. The cost saving of Measures 1 and 2 outlined above will reduce staffing on a daily basis from 48 on-duty suppression personnel to 43, including Chief Officers. This will still allow for a reasonable fire safety response to the citizens of San Bernardino and achieve the necessary savings.

Fire Department Budget Reductions Summary

On June 27, 2012, the Fire Department accepted the 2011 SAFER grant in the amount of $3,363,972. This will allow the City to retain 12 fire safety positions commencing FY 2012-13. The funding awarded is for a two-year performance period and is for the retention of fire personnel and not intended for hiring. With the acceptance of the 2011 SAFER grant, the Finance Department is making the necessary adjustments to the Fire Department's proposed budget for FY 2012-13. The net result, of the proposal the Administration and Fire Management have presented would be an overall reduction of 23% of personnel from the Fire Department from 2008 staffing levels. Personnel cuts and program savings will have been achieved from each division of the department excluding the Emergency Communications Program.

Table 18 – Proposed Fire Department Staffing Reductions

Description	Positions	Potential Savings
Staffing Efficiencies (deleted Public Education Officer, reassign Battalion Chiefs to 24 hour shifts, vacant Deputy Chief & Fire Marshal)	3	$950,000
Reduction of Discretionary Funds	N/A	$82,200
Vacant-Fire Prevention Officer	1	$83,600
Option 1: Vacate Firefighter positions (reduce 2 truck companies to 3 person staffing)	7	$946,879
Option 2: Vacate Engine Company (3 Captains, 3 Engineers, 3 Paramedic/ Firefighters)	9	$1,409,499
Total Reduction	20	$3,472,178

Please note the projected savings amount will be reduced the later these cuts are adopted in the fiscal year.

2. *Police Department*

At the peak of staffing levels, the Police Department had an authorized sworn staffing level of 356 officers and a civilian contingency of 180. Current 'actual' staffing levels are 289 sworn and 173 civilian. The current deployment model is based on staffing levels of around 299 sworn and 180 civilian. Any staffing reductions beyond current levels require reorganization and careful analysis of services provided and how those services are administered.

The Police Department has been through several rounds of budget reductions in previous years. Reductions of personnel have been accomplished almost entirely through attrition. The remaining employees have had their compensation reduced through labor agreements for the last three years. The Department currently operates "essential" or "first responder staff" on a 24/7 schedule; a significant portion of civilian personnel work a reduced workweek.

The Police Department's budget contains very few discretionary items outside of personnel-related expenses. Over 80% of the budget is allocated to direct costs for salary and benefits. The majority of the remaining budget includes items such as building, fleet, technology and operating expenses.

Proposed cuts can be categorized into those achieved through non-personnel reductions, personnel reductions through attrition, and personnel cuts through layoffs. The categories also mirror the order in which the Administration and Police Management went about determining proposed cuts. First, the Department went through the budget line-by-line and reduced or eliminated costs within each category wherever possible. Next, Police Management carefully analyzed retirement-eligible population of staff and conservatively estimated which personnel will leave and when they will leave in order to calculate anticipated savings through attrition. Based on those estimated savings, Police Management looked, as a last resort, at what layoffs would have to be made to reach a 10% reduction goal.

Non-Personnel Reductions: Due to the spending cutbacks already made, there is little room for further non-personnel reductions. The Police Department has, however, identified another $265,000 in cuts. This includes severe limitations on overtime as well as cuts to training, equipment, ammunition, supplies, and other expenses. Some of these categories will be cut by 60%. Additional details are provided in the impacts section later in this report.

It will be necessary to restore many of these cuts in future years. Some of the cuts, such as ammunition, were made based on current inventories and minor changes to regular training and operations. However, the cuts can only be temporary in nature and would need to be restored later to meet long term needs.

Personnel Cuts through Attrition - Some of the attrition projections are based on commitments to retire while others are reasonable estimations based on employee statements that are not binding. The table below is a summary of the reductions.

Table 19 – Proposed Sworn Staffing Reductions

Attrition Reductions	Positions	Savings
Captain	1	$238,094
Lieutenant	1	$200,371
Sergeant	5	$840,485
Police Officer	11	$1,459,193
Totals	**18**	**$2,738,143***

* Projected savings through sworn attrition $2,738,143

The captain position reduction is based on a tentative agreement for funding from the Water Department. The funding would be for one year, after which the position would be held vacant through anticipated attrition. An agreement is pending for the Water Department to fund the position in exchange for work to be performed on Water Department projects.

It is recommended that any positions vacated through attrition be frozen rather than eliminated so it may be filled at a later time when the City's economic situation improves.

Personnel Cuts through Reduction in Force - At the start of the current fiscal crisis, the Department accepted a Federal COPS grant which funded the hiring of thirteen police officers. This grant expires at various times throughout Fiscal Year 2012-2013, based on the hire dates of the officers. Elimination of these positions would not create any General Fund savings and would create a liability to repay the grant of approximately $3.9 million in part or in its entirety. The Department's civilian staff members are tremendously valuable to the organization and the services they provide. However, based on the COPS grant commitment, attrition rates, and essential service needs, the necessary reduction of filled positions will center on civilian staff.

Civilian staff provides direct services to the public and support services to allow the department to operate more efficiently. The range of these classifications is from cadet (part time entry level positions) to division manager. The part time positions are discussed in detail below by category. The full time position cuts are summarized below and detailed in the table. The Administration and Police Management have carefully evaluated every position in the organization for potential elimination. The positions proposed were identified based on specific function and expense. The vast number of positions proposed for elimination will require significant structural changes, some of

which are outlined later in this report.

Part Time Filled Positions - The Department currently has seven stenographers who produce reports from recordings made by officers and detectives. Three of the seven are part time employees. The three part time positions are proposed for elimination. Under this proposal, the backlog of reports would grow and officers and detectives would now have to type more of their own reports instead of dictating them. The overall impact in the short run would be more officer time spent on report writing. Long term impacts can be mitigated with the implementation of new technology and training options to make it more efficient for officers to type their own reports. The estimated annual savings is $82,000.

The Department currently provides crossing guard services to several local school districts within the City through various agreements. The cost for these part time employees is typically shared with each school district. It is proposed the Department terminate the crossing guard program. The contracts would have to be strategically terminated depending upon the individual contract language. The impact is uncertain because it is unknown if the districts would fund the program themselves. Although the function of crossing guards is an essential service, continuing to have it provided by the police department will have negative impacts in other areas of direct police services. Assuming a quick decision and implementation, the annual net savings is $227,600.

The Department currently has an employee in the academy training to become a police officer. The position is classified as part time for the purposes of payroll and budget. It is recommended the position be eliminated. This person was previously a Community Services Officer (CSO). If adopted, staff will work with the employee in an effort to get him employed with another local agency upon graduation. A budget savings is not anticipated as the position is funded through salary savings already.

The Cadet program currently has thirteen cadets and is grant-funded through February 2013. Barring identification of an unexpected funding source, it is recommended the program be discontinued at the end of the funding cycle with all remaining cadets being let go. Elimination of the program is a cost neutral measure. However, the Cadet program provides valuable support services in many areas as well as a valuable recruiting and development tool to attract and develop young local residents into full time police employees. Future funding of the program is recommended when economic conditions improve.

Full Time Filled Positions - The remaining reductions in force are from full time filled positions. They are listed in the table below.

Table 20 – Proposed Non-Sworn Staffing Reductions

Position Title	Current Positions	Proposed	Reduction	Annual Savings
Kennel Supervisor	1	0	1	$73,055
Executive Assistant	3	2	1	$70,857
Evidence Technician	3	2	1	$74,103
Forensic Technician	12	8	4	$324,456
Dispatch Manager	1	0	1	$104,220
Admin Analyst I	1	0	1	$45,343
CSO Supervisor	2	0	2	$182,106
CSO II	17	13	4	$259,288
CSO I	28	11	17	$966,529
Records Tech I/II	26	23	3	$163,287
Parking Officer	5	3	2	$113,674
P&T Manager	1	0	1	$99,603
P&T Coordinator	1	0	1	$74,103
P&T Technician	2	1	1	$70,857
Records Manager	1	0	1	$95,229
Totals	**104**	**63**	**41**	**$2,326,078**

Organizational Impact

The enormity of the cuts outlined above will undoubtedly diminish the quantity and quality of services the Police Department is able to provide. The identified positions have been carefully selected in an effort to minimize the impact to core services such as patrol response. However, in order to implement these types of cuts, there will be a significant reorganization and reprioritization of services provided.

A sizeable portion of the cuts will ultimately impact wait times for lower priority services and availability of proactive resources (District Resource Officers, Gangs, Narcotics, and others). Our priority during this difficult time will be to focus on staffing at levels necessary to safely respond to emergency calls for service. Other priorities will

follow and remaining resources will be allocated accordingly. The City recently entered into an agreement with the Police Executive Research Forum (PERF) to evaluate the Department. Part of the analysis will include prioritization and allocation of resources.

Although the Department will focus on priority related call response times, the time spent waiting for reports to be taken or for officers to respond to more minor matters will undoubtedly increase. We will work toward changing the way these services are delivered and make every effort to become more efficient and to utilize technology wherever possible.

The non-personnel related cuts will also impact operations. Due to previous budget reductions, the margin to cut from is very thin. The Department's aging technology infrastructure is a major concern. Replacement equipment dollars have been reassigned or cut completely in the last several budget years. Large-scale technology improvement funding initiatives will be necessary in the near future.

The reductions will also take us backward in many respects to supervision, leadership and accountability. The cuts significantly reduce the management and supervision ranks of the organization. In comparison with other agencies for example, we already are low on the number of lieutenants before the cuts. The long-term consequences of reducing our supervisory and leadership positions could be significant.

The implications outlined above are the significant known impacts. There are other areas that will be impacted not outlined herein; some are known and others are unknown at this point.

Police Department Budget Reductions Summary

The net result, of the proposal the Administration and Police Management have presented would be an overall reduction of 59 personnel from the Police Department. Personnel cuts and program savings will have been achieved from each division of the department excluding the Emergency Communications Program.

Total estimated savings are listed in the table below:

Table 21 – Total Estimated Savings

Budget Item	Amount
Non-sworn savings via attrition	$390,635
Sworn savings via attrition	$2,738,143
Reduction in filled full time positions	$2,326,078
Reduction in filled part time positions	$309,600
Non-personnel related reductions	$265,000
Total	**$6,029,456**

D. Maintaining the City's Investment in Infrastructure Through Service Delivery Changes in Community Development, Public Works, and Parks, Recreations & Community Services

1. Community Development

Over the past several years, the Community Development Department staffing has been reduced significantly. However, the workload of the department has been impacted by the recession. The number of permits and plan checks significantly declined as investment in the City has dropped with the burst of the housing bubble. The City is beginning to see an increase in development activity for industrial activity. Additionally, the Successor Agency will soon begin the process of selling the EDA properties, which could lead to substantial development activity and investment in the City. Because of new growth opportunities, it is recommended that reductions be balanced against the need to ensure staffing and resources are available to meet the demands of developers and others interested in investing in San Bernardino.

Proposed Restructuring

Despite previous reductions in workforce, the Community Development Department has options available to maintain basic and essential services while reducing costs. This is possible through adjustments in services delivery; specifically, contracting out and consolidation of duties.

It is recommended the City eliminate one Building Inspector Supervisor, one Building Inspector, one Technician one Engineering Associate, one NPDES inspector, one NPDES Coordinator, one Department Accounting Technician, one Administrative Assistant, and one Customer Service Representative (admin). Most of these duties will be handled by contractors. The Building Official would assume responsibility for supervising the field personnel, which will impact the amount of time available for his

other duties. With the elimination of the Building Inspector III position, the City will return the responsibility for the mobile home park inspections to the State. The loss of the Technician position, which currently provides customer service at the front counter, will require moving the Assistant Planner to the front counter to assist customers, which will have some impact on the Planner's ability to write staff reports, prepare zoning verification letters and complete other assignments. As direct customer service will consume much of the time, some of the duties handled by the Planner will be reassigned to the other Planner and the Manager.

Despite the reduction, it is anticipated that sufficient staff will remain in order to provide proper oversight to contractor's work.

2. Code Enforcement

There is no question that proactive enforcement of the City's codes is needed throughout the City. The City is dealing with significant number of foreclosures and a recessionary economy which is making general maintenance of some properties less than desirable. There are currently 3,083 open code enforcement cases within the CRM system as of August 14, 2012. Moving forward, staff needs concentrate on clearing existing cases and dealing effectively with repeat offenders.

As part of the restructuring, it is recommended that Code Enforcement be moved to the Police Department. Despite the importance of code enforcement efforts and the impact of the maintenance of the community on investment decisions, given the City's financial condition, reductions in code enforcement are necessary.

Proposed Restructuring

The code enforcement division currently consists of one Code Enforcement Manager, three Supervising Code Enforcement Officers, two Senior Code Enforcement Officers, 23 Code Enforcement II positions, one Code Enforcement Officer I position, and one Weed Abatement Coordinator. It is recommended the following positions be eliminated:

- Five Code Enforcement II positions
- One Supervising Code Enforcement Officer
- Two Senior Code Enforcement Officers
- One Weed Abatement Coordinator
- One Code Enforcement Officer I
- One Customer Service Representative

The annual savings related to these cuts is $937,194. Overall, it is anticipated there will be a reduction in service and an increase in response times based on the proposed cuts. Despite the cuts, 18 Code Enforcement Officer II positions, two Supervisors, and one Code Enforcement Manager position would remain.

3. Public Works

The Public Works Department staffing will be reduced by 45 positions. Of these, 34 positions are full time and 11 are part time. The percent deleted is 13% totaling $1.9 million for all funds. The total frozen is $608,000. These represent across the board cuts as follows:

Administration

- Administrative Division Manager – These duties would be reassigned to the Department Director; Annual savings – $134,000
- Environmental Projects Assistant – There is insufficient projects to justify this expense. All environmental projects will be assigned to one existing environmental projects position; Annual savings – $63,400
- Executive Assistant – There has been a reorganization of the division under the director; Annual savings – $72,000
- Senior Office Assistant – There has been a reorganization of the division under the director. Elimination of this position will require the Administrative Services Supervisor cover assigned duties; Annual savings – $50,039
- Departmental Accounting Technician – Payment and processing of invoices for the division will be assigned to the Senior Office Assistant. The total cost of this position is $54,700.

Integrated Waste

- Integrated Waste Operations Supervisor –The total cost of this position is $84,500. Reductions in revenue and increased operating expenditures require the department eliminate a supervisor resulting in a savings of $84,500.
- Senior Integrated Waste Operator –The total cost of these 3 positions is $190,200. Trucks will be rerouted and less vehicles will be used for trash pick-up. The cost of 3 leases for trucks is estimated at $150,000 resulting in a total savings of $340,200.
- Integrated Waste Operator – The total cost of three positions is $157,200. Trucks will be rerouted and less vehicles will be used in the operation. The cost of equipment is estimated at $150,000 resulting in a total savings of $307,200.
- Integrated Waste Operations Manager –The total cost of this position is listed as ‘vacant/unfunded’. The division manager will address job duties.

Fleet Operations

- Fleet Parts Technician – The parts duties will be assigned to the Manager and Supervisor resulting in a savings of $69,478.
- Fleet Parts Storekeeper –The total cost of this position is $57,996. The parts duties will be assigned to the Manager and Supervisor resulting in a savings of $57,996.

- Fabricating Welder – Welding will be contracted out. The total cost of this position is $72,837. The cost of welding is estimated at $40,000 resulting in a savings of $32,837.

Custodial Services

- Custodial Maintenance Supervisor –The total cost of this position is $61,600. Due to lack of general funding available for custodial work, the supervision is eliminated and lead personnel will be assigned job duties by the manager.
- Supervising Custodian –The total cost of this position is $63,600. Due to the lack of general funding available for custodial work, the supervisor position is recommended for elimination.
- Custodian –The total cost of 6 part time positions is $67,500. Assignments will be made in common areas monthly.

Maintenance

- Extra Relief Heavy Laborer –The total cost of this part time position is $11,250. The work will be completed by other laborers as assigned.
- Maintenance Worker II – The cost of the position is $57,200. Right of way and graffiti response time will be reduced 30 percent.
- Maintenance Worker II (Signs) –The cost of this position is $60,600. There will be a reduction in staffing of 33 percent in sign replacement. Savings: $60,600.
- Heavy Equipment Operator –The cost of this position is $72,800. There will be a reduction in staffing of 33 percent in operating heavy equipment city wide.
- Sewer Maintenance Worker – Eliminate 2 positions. The cost of these positions is $132,600. There will be a staff reduction of 20 percent in sewer ops.
- Electrician I –The cost of this position is $72,300. Street lighting operations will be staffed less by 33 percent.
- Extra Relief Heavy Labor – Eliminate 2 positions. The cost of these two part time positions is $22,500. The response time for right of way and maintenance in public areas will be impacted and requests added to the City CRM system.
- Traffic Signal Technician III –The cost of this position is $86,300. The work will be contracted out. The cost for contract work is estimated at $50,000 resulting in a savings of $36,300.

Public Works

- Construction Inspector II – The total cost of the two positions is $174,956. The work will be contracted out. The cost of contracted work is estimated at $70,000 resulting in a savings of $104,956.
- Engineering Assistant III – The total cost of this part time position is $30,650. New capital projects have been deferred resulting in a savings of $30,650.

- Engineering Assistant II – New capital projects have been deferred. The total cost of this part time position is $27,970.

Positions that would be held vacant include:

- Director of Public Works –The total cost of the position is $245,368. It is temporarily contracted out at a cost of $16,000 per month resulting in an annual savings of $53,368.
- Administrative Analyst II position (1) – This position would be held vacant until development activity improves. The total cost of this position is $97,500.
- Traffic Operations Systems Analyst –The total cost of this position is $106,800. Traffic engineering has been contracted out to private firms. Estimated cost for contract work is $75,000 resulting in a savings of $ 31,800.
- Real Property Manager –The total cost of this position is $104,200. The real property work is being performed part time by a retired individual. Substantial development or divesture of EDA properties will require adjustments to meet service delivery. The estimated cost for contract work is $50,000 resulting in an annual savings of $54,200.
- Fleet Services Manager –The total cost of this position is $137,700. The equipment manager is currently handling the job duties of this position. The City is reviewing proposals to outsource trash hauling that could affect fleet operations. Based on this, it is recommended the position be held vacant at an annual savings of $137,700.
- Senior Civil Engineer – The total cost of this position is $138,807. The work can be contracted out as capital project funding is identified. The Principal Engineer will supervise capital plan development in house. Savings: $138,807.
- Facilities Maintenance Supervisor –The total cost of this position is $93,500. The manager will oversee all work orders for all city buildings and facilities. Savings: $93,500.

Table 22 – Proposed Public Works Staffing Reductions

Position	Action	Savings
Administrative Division Manager	Eliminate	$134,000
Environmental Projects Assistant	Eliminate	$63,400
Executive Assistant	Eliminate	$72,000
Senior Office Assistant	Eliminate	$50,039
Integrated Waste Operations Supervisor	Eliminate	$84,500
Construction Inspector II (2)	Eliminate	$104,956
Engineering Assistant III (PT)	Eliminate	$30,650
Engineering Assistant II (PT)	Eliminate	$27,970
Fleet Parts Technician	Eliminate	$69,478
Fleet Parts Storekeeper	Eliminate	$57,996
Fabricating Welder	Eliminate	$72,837
Accounting Technician	Eliminate	$54,700
Sr. Integrated Waste Operator (3)	Eliminate	$190,200
Integrated Waste Operator (3)	Eliminate	$157,200
Extra Relief Heavy Laborer (PT)	Eliminate	$11,250
Custodial Maintenance Supervisor	Eliminate	$61,600
Supervising Custodian	Eliminate	$63,600
Custodian (6 PT)	Eliminate	$67,500
Maintenance Worker II	Eliminate	$57,200
Maintenance Worker II (Signs)	Eliminate	$60,600
Sewer Maintenance Worker (2)	Eliminate	$132,600
Electrician I	Eliminate	$72,300
Extra Relief Heavy Labor (2)	Eliminate	$22,500
Traffic Signal Technician III	Eliminate	$36,300
Heavy Equipment Operator	Eliminate	$72,800
Technician	Eliminate	$69,478
	Total Savings	**$1,897,645**

The net result of the proposal the Public Works has presented would be an overall reduction of 45 personnel from the Department. Personnel cuts and program savings will have been achieved from each division of the department.

Total estimated savings are:

Budget Item	Amount
Savings via Reduction in Workforce	$1,897,645
Savings via Vacancies	$606,875
Total	**$2,504,529**

4. Parks Recreation & Community Services

Since July 2008, the Parks, Recreation & Community Services Department has experienced a 32% reduction in staffing and a significant decrease in resources available for maintenance and operations. Given the limited areas in which to further reduce costs and demand for service, the Administration and management have focused on eliminating programs that had grant funding and identifying more cost efficient ways to provide service.

Closure of the Operation Phoenix West and Operation Phoenix East Centers

The Operation Phoenix Program operates two centers including Operation Phoenix West located at Anne Shirrells Park (Ward 6) and Operation Phoenix East at Speicher Park (Ward 7). These centers are currently being funded by a Department of Justice (DOJ) grant that was scheduled to run through FY 2012/2013. It is now anticipated that the earmark will expire in September 2012. Given the fact that continued operation of the two centers would require a General Fund commitment due to the expiration of the DOJ funding, the Administration recommends closing both of the centers at an estimated savings of $145,000, which represents the anticipated funding from July 1, 2012, through September 1, 2012.

Impact: The Operation Phoenix West community center is dilapidated and requires replacement as addressed during a recent site visit by the California State Parks Department. With respect to the Operation Phoenix East, the recent partnership with the Disabled Veterans Group/exploratory garden provides the framework for a continued presence as the facility is a major hub for social, recreation and educational activity.

LMD, Parks and Tree Maintenance Programs

Contracting out for the maintenance of the City's Landscape Maintenance Districts (LMDs), parks maintenance and tree maintenance and reassignment of these responsibilities to the City's Public Works Department is recommended in an effort to address park and landscape maintenance issues within the available resources. LMD maintenance is addressed under separate cover.

Impact: This action would result in the elimination of 31 positions. Five positions including three landscape inspectors, one park maintenance supervisor and an arborist would be retained to provide oversight of the contract services. Further, this would eliminate the equipment challenges and increase service delivery while providing a more consistent response in the event of emergency call outs. The estimated annual savings of contracting the LMD, park and tree maintenance is $800,000.

Department Administration

Elimination of the Deputy Director position and downgrading of the Administrative Services Manager position to a Management Analyst is recommended.

Impact: In FY 2009, the Department eliminated 2 administrative support positions as part of the 32% personnel reductions. The office maintains one bi-lingual Administrative Assistant and one Administrative Assistant assigned to the Main Office and the Cemetery operations. Currently, staff work and departmental budgeting and analysis is provided by the department head. The elimination of the Deputy Director position and change in the Administrative Services Manager position to a Management Analyst will impact the Department's ability to respond to requests for services. The change will result in an annual savings of $230,000.

E. Implementing Service Efficiencies and Consolidation of Administrative Services Functions

1. City Clerk

Over the past several budget cycles, the City Clerk's Office has largely avoided personnel cuts by eliminating training, and cutting supplies and other less critical budgets. With those already cut to the bare minimum, it is clear that in order to adequately respond to the city's current financial crisis and be a meaningful part of the budget solution, the City Clerk's office must make draconian cuts, and these cuts must include personnel.

This situation is not ideal. The Clerk's office can ill afford to lose staff in what is an extremely busy and visible office. Nevertheless, we can continue to provide responsive service to internal and external customers through this difficult time with a combination of lay-offs, back-filling and temporary help for special projects. This is true for both the Administrative Division and the Business Registration Division.

Specifically, the Clerk's office proposes a 20 percent cut in its budget, or approximately $432,000, to include $386,175 in staffing and $46,000 in operating costs. The decreased staffing will be addressed with a reorganization of the office, cross training and increased duties on the remaining staff, greater use of technological and online resources, procedural changes in the agenda creation process and project-specific temporary part-time hires.

To address the increased workload issues in the City Clerk's Office as well as the City Attorney's office caused by the recent bankruptcy filing, the agenda review timeline will be moved forward, so that documents to be placed on the agenda will be due to the City Attorney's office on the Thursday 12 days prior the scheduled meeting, rather than the Monday seven days prior. This allows the City Attorney's staff and the City Clerk staff extra time for review of the documents being provided in the agenda back-up.

Deeper cuts than those proposed herein would lead to unacceptable consequences, including being unable to adequately respond to the plethora of public records requests, business registration calls, and claims filed specifically in response to news of the city's financial crisis and pending bankruptcy.

Table 23 – Proposed City Clerk Staffing Reductions

Position	Action	Savings
Customer Service Rep (2)	Eliminate	$121,114
Accounting Technician	Eliminate	$52,647
Business Registration Inspector	Under Fill	$42,407
Assistant City Clerk position	Eliminate	$105,626
Executive Assistant to the Director	Freeze	$64,381
	Total Savings	**$386,175**

2. Information Technology

The IT Department proposes staffing reductions of $668,900 from the department's various funds. These reductions will result in an understaffed IT department that can support only the most basic Information Technology systems and infrastructure.

This proposal completely eliminates the Telephone Support program. It also recommends a reduction in IT Department supplies, outside training, computer replacement funds, contractual services, and the elimination of seven positions, resulting in a 30% cut in staffing.

The elimination of the Telephone fund will result in the less-critical Telephone Coordinator duties being discontinued and others, such as telephone bill payment and cell phone support, being absorbed by IT positions such as the Departmental Accounting Technician and the Business Systems IT Analyst II position, respectively. Telephone contract negotiations and vendor management will be absorbed by the Director of Administrative Services. Telephone vendor costs will be moved to the IT Department's operating budget and charged back via the department's current allocation system. City-

provided cell phones will be restricted to public safety, code compliance, and various facilities maintenance staff, resulting in a savings of approximately $60,000 per year.

Even with the proposed draconian reduction in staffing, support will continue for network infrastructure, servers, and telephone equipment. Enterprise software system support will also continue, including maintenance of the financial, payroll, email, backup, GIS mapping, agenda management, fleet, fuel, public safety document management, dispatch, content management, water billing, and customer relationship (CRM) systems.

However, the proposed cuts will result in an overall service level reduction. Desktop support turnaround times will be increased due to the loss of two desktop support technicians. Web posting will have to be performed by City departments, due to the loss of the Webmaster position. Network outages may take longer to resolve. Telephone support turnaround times will increase. Project-related tasks, such as system upgrades, will take longer to complete.

Any further staff or operating cuts would impact the IT Department's ability to continue to offer core systems and infrastructure support. For example, further operating budget cuts will result in the elimination of outside support agreements for critical systems, resulting in systems going down and not being brought back up, software issues arising without staff being able to get help from software vendors, or state and federally mandated reporting requirements not being fulfilled due to lack of financial software support. Mission-critical systems would eventually fail, and the IT Department would not have the support contracts or staffing in place to recover from such failures. This could result in an inability to pay employees, provide dispatch services for public safety, provide mandated financial reporting, send and receive email, protect the City's data through backups, and more.

Table 24 – Proposed Information Technology Staffing Reductions

Position	Action	Savings
IT Director	Eliminate	$214,200
Senior Network Specialist	Eliminate	$85,300
Telecommunications Coordinator	Eliminate	$72,000
IT Technician	Eliminate	$65,100
Senior IT Analyst (webmaster)	Eliminate	$126,500
IT Operations Supervisor	Eliminate	$105,800
	Total Savings	**$668,900**

3. Human Resources

The Human Resources Department has three programs that impact the general Fund, Administration, Employee Services and Workforce Planning and Retention, and two that impact the internal service fund; Workers' Compensation and Liability & Risk Management. In the Budgetary Analysis and Recommendation for Budget Sustainability Plan, it was proposed that the Human Resources Department merge with the Finance Department eliminating the need for a Human Resources director resulting in salary savings. However, additional staffing cuts would need to be made to comply with the 30% requested deduction.

The following proposals are recommended with the least amount of impact for the effective customer service and compliance with legal requirement (EEO, Workers' Compensation, FMLA, etc).

Elimination of the Human Resources Director Position - The Director position impacts all five Human Resources programs and with the recommendation of the merger with Finance, this will produce a salary savings of $198,397.

Elimination of the Executive Assistant Position - With the elimination of the Director position, the need for the Executive Assistant position in unjustified. It is recommended that this position be reclassified to a Human Resources Technician. Assuming the reclassification is implemented, this recommendation will produce a savings of $17,680.

Elimination of the Human Resources Analyst - The duties of this position will fall to the reclassified Human Resources Technician position recommended above. The savings from this recommendation is $39,225.

Defer Filling the Workers' Compensation Adjuster - The employee currently holding this position has advised the City of his resignation effective August 31, 2012. Given the opportunity to review the duties of this position, as well as the City's legal requirements under Workers Compensation, staff will evaluate the need to fill the position or to seek outside contract assistance in an effort to reduce operational costs.

Over all, the recommendations above provide savings of approximately $412,683 annually. The table below provides details of the savings.

Table 25 – Proposed Human Resources Staffing Reductions

Position	Action	Savings
Human Resources Director	Eliminate	$198,397
Executive Assistant	Eliminate	$78,887
Human Resource Analyst	Eliminate	$100,432
Workers' Compensation Adjuster	Defer	$96,174
Human Resources Technician	Add	$(61,207)
	Total Savings	**$412,683**

4. Finance

The Finance Department responsibilities have been expanded to include the oversight of the Human Resources and Information Technology Departments. Essentially, the oversight of the Departments will be consolidated under the Director of Finance, eliminating the need for two Department Heads.

Additional cost saving measures includes the elimination of three Finance Department positions: (1) Purchasing Manager, (2) Deputy Finance Director and (3) a Financial Analyst. Designed to improve cost containment and fiscal accountability citywide, two positions have been added to the Finance Department, Budget Officer and Fiscal Officer. With the elimination of the three aforementioned positions and the additional responsibilities of Human Resources Department oversight, the Budget Officer and Fiscal Officer will provide the City with capacity and structure to improve fiscal management and sustain basic finance-based services during this very challenging time.

Precisely, the Budget Officer will primarily focus on the implementation of new budget policies and practices, annual operating budget, capital improvement budgets and provide support on grant programs. The Fiscal Officer will provide the needed oversight for debt management, revenue development and procurement of goods and services.

5. City Manager

The City Manager's Office is responsible for implementing the policies of the Mayor and Common Council as directed by the Mayor and implementing the Mayor's policy directives and insuring those directives are acted upon by all supervisors and employees in the Manager-directed departments. The City Manager is also responsible for administering the Manager-directed departments of the City; attending all meetings of the Mayor and Common Council and council committee meetings and participating in discussions without vote; ensuring all laws, ordinances, orders, resolutions, contracts, and franchises are enforced and executed; preparing and submitting the annual budget

and keeping the Mayor and Common Council apprised of the City's financial condition; and conferring with elected officials to obtain and consider advice and counsel.

A total of eleven executive, management, mid-management and clerical positions, five call taker positions and one part-time position including the City Manager, Assistant City Manager, Manager of Communications, Assistant to the City Manager, two Management Analysts, Neighborhood Services Coordinator/Assistant to the City Manager, Community Relations Supervisor/Assistant to the City Manager, Project Manager/Assistant to the City Manager (CDBG), Executive Assistant to the City Manager, Administrative Assistant to the City Manager, five call takers (including one senior call taker), and one part-time Administrative Analyst that provide administrative support to the entire department are assigned to the City Manager's Office. While reductions will impact the ability to continue efforts to improve organizational efficiency and effectiveness; improve communication, both internally and externally; improve customer service; and promote private and public investment in the community, drastic cuts are needed for the long-term financial health, viability, and sustainability of the City.

Proposed Restructuring in the 2012-13 Budget

A critical analysis of the City Manager's Office resulted in the identification of non-critical program areas and related staffing, which are recommended for elimination. Specifically, the Beautification Partnership, Citizens' Academy, and public information and community education programs would be eliminated.

Through this restructuring, three positions and funding for one position in the City Manager's Office would be eliminated including the Neighborhood Services Coordinator/Assistant to the City Manager, Manager of Communications, and one Management Analyst. The Assistant City Manager position would remain in the budget, however, funding would not be allocated at this time. It is further proposed that the Project Manager (CDBG) position be reassigned to the Parks, Recreation & Community Services Department to position the Department to pursue other funding opportunities and partnerships and reduce the reliance on the City's General Fund.

Despite the reduction in personnel assigned to the City Manager's Office, through the restructuring, the City Manager's Office would assume responsibility for redevelopment and economic development duties, which were previously handled by the City's Economic Development Agency. Remaining personnel would also assume responsibility for administrative responsibilities related to neighborhood services and environmental programs and projects that were previously handled by the Mayor's Office.

Continuing to improve communication and building trust with residents and business leaders in the City would continue to be a high priority. Despite the staff reduction in the City Manager's Office, funding is included for the Call Center as an internal service charge. Until the implementation of the Call Center in 2010, the community did not

have a single point of contact into the City to obtain information, to report issues or concerns, or to request service. Callers were expected to know which department handled the specific issue. Departments had varying policies and procedures on answering the telephone, and in many cases, calls are not answered by a human being, which resulted in callers not receiving timely service or simply giving up. This system provided little to no accountability to the public to ensure complaints were resolved. In fact, because of the lack of follow through prior to the implementation of the Call Center, Call Center staff members are in the process of reviewing service requests from the last three years to ensure service was provided or accurate information is provided to the reporting party as to the status of the complaint. This formalized system for handling customer complaints holds Department Directors and staff accountable and makes expectations related to customer service clear.

6. Library

Article XII of the City Charter establishes the free public library system, which is governed by a Board of Trustees appointed by the Mayor subject to the approval of the Common Council. The Board of Trustees is responsible for making rules related to the administration of the library; prescribe the duties of the officers; determine the number of subordinate employees; fix salaries; purchase books, journals, publications, and other personal property; and do all that is necessary to carry into effect the provisions of the Charter related to the library. The Charter also provides that, at the request of the Board of Trustees, the Council may levy a tax for the maintenance of the library and for the purchase of books, journals, and periodicals. The City does not currently levy a library tax.

Based on the City's financial condition and after consulting with the Board President and Library Director, the Administration recommends the annual funding allocated to the Library be reduced from $2.2 million to $1.6 million. While the Board of Trustees will determine the manner in which the funds provided by the City would be allocated and the specific impact on programs and services, it is anticipated the reduction in funding will result in the closure of the three branch libraries. As a result of the closures, extended hours and some additional services may be made available at the Feldhym Library.

7. Office of the Mayor

In March 2006, the budget for the Mayor's Office was $1,049,400 with ten full-time positions. Given the fiscal crisis facing the City, the Mayor eliminated four positions and reduced maintenance and operations costs. Some additional contract services will be used to reduce the impact of the cuts at a cost of $90,000, resulting in a net savings in FY 2012-13 of $331,901. The cuts will mean the Mayor's Office will have only two paid positions other than the Mayor including one clerical position and one analyst position, which is a drastic reduction from the ten full-time positions that existed in 2006.

F. Summary of Proposed Staffing Reductions

As addressed above, the Preliminary FY 2012-13 General Fund budget reflects $121.9 million in revenues and $166.2 million in department proposed expenditures. The Preliminary FY 2012-13 General Fund budget represents a baseline budget, which is a continuation of the status quo with projected increases in pension costs and other post-employment benefits, one time equipment purchases, services and supplies needed to maintain the current level of service, as well as the restoration of the employee concessions, many of which have expired, and does not include Cost of Living Adjustments (COLA) or other compensation increases. As proposed, the budget reflects a structural deficit of $45.8 million.

Through the development of the Pre-Pendency Plan, all non-essential programs and services were evaluated. The Administration, working with the City departments, has attempted to propose reductions in workforce or programs that have the lowest possible impact on basic government services while beginning to take the steps needed to achieve financial solvency. More than one hundred positions are recommended for elimination resulting in a savings of $15.7 million. An additional savings of $6.7 million in operational savings have been identified. While the cuts are significant, the cuts do not close the $45.8 million gap for this fiscal year. Further, the cuts do not address the $18 million cash deficit in the last fiscal year nor do the cuts position the City to build reserves or begin to fund the more than $300 million in unfunded liabilities. Additional budget balancing and revenue enhancement strategies are needed.

If the Council approves the $22.4 in measures proposed in the Pre-Pendency Plan, the deficit for this fiscal year is projected at $16.4 million. To further close the gap, the Administration recommends discussions with the City's various bargaining groups continue in the interim and though the Bankruptcy. Several of the City's bargaining groups have agreed to continue the 10% concessions resulting in a cost savings of $1.5 million. The Administration recommends seeking, or imposing if necessary, similar concessions from the bargaining groups that have not voluntarily agreed to concessions as an interim measure, which would result in a cost savings of $6.1 million. Further labor negotiations would occur through the Bankruptcy process. It is also recommended elected offices, with the exception of the Mayor's Office and the City Clerk's Office that are included in the reductions noted above, reduce the proposed budgets by 30%. This would result in a savings of $1.7 million. Given the need for increased internal controls to protect City receipts, a reduction in the City Treasurer's Office is not recommended at this time. Overall, approval of the additional measures would result in a savings of $9.4 million and a Fiscal Year 2012-13 General Fund deficit of $7.1 million. Exhibit B summarizes the impact of the various budget balancing measures.

Implementation

If the Pre-Pendency Plan is approved by the Mayor and Common Council, the reduction in force process pursuant to Civil Service Rule 511 would be immediately initiated. Layoff notices giving at least 30 calendar days notice of separation would be issued to the affected employees. Employees laid-off, transferred to an equivalent classification, or demoted to a lower classification have the right pursuant to the Civil Service Rules to be reinstated to his or her former classification upon the first vacancy in his or her department for two years. Bumping and reinstatement rights are available only within the department.

An employee who is laid off may demote into any classification if he or she meets the requirements outlined in the current job description, whether or not he or she has ever held a position in the classification. An employee may laterally bump into a classification of equal compensation if he or she has more total seniority in class than the employee currently occupying the lateral position, provided he or she meets the requirements outlined in the current job description. An employee may demote into a lower classification even if he or she has less seniority than the employee occupying the lower position. However, an employee demoting into the lowest classification in the department must have more total City seniority as a regular employee to displace an employee occupying a position in the lowest class.

While the intent is to process the lay-offs as quickly as possible due to the City's dire cash flow issues, the lay-offs proposed as a result of contracting out services such as LMD maintenance, tree trimming, park maintenance and custodial service would occur as soon as a contract for the service is in place to ensure there is no disruption in service to the community.

Future Actions

While the Administration has attempted to close this year's projected $45.8 million structural deficit, the proposed cuts are not deep enough to achieve a balanced budget for FY 2012-13, and additional measures are required. The following are additional budget reduction and efficiency measures:

- Contract with one or more private companies for plan check, engineering, collections, and information technology services. The cost savings of contracting these services is currently being evaluated and recommendations will be presented to the Mayor and Common Council.
- Initiate a Request for Proposal process for the outsourcing the City's Refuse Program. It is proposed that a consultant be engaged to assist in valuing the City's operation, identifying expectations, developing a comprehensive request for proposal, evaluating the responses, negotiating a franchise agreement, and implementing the Council's direction. It is anticipated this process could be completed in early 2013. Alternatively, an agreement for the sale of the City's waste stream to a private company for recycling rather than disposing of the trash at the County landfill could result in a source of revenue. This process could be completed within two months.
- Explore the opportunities to contract with a private company or another public agency for the operation of the City's public library system.

- Evaluate the closure of the three community centers – Lytle Creek (Ward 3) Ruben Campos (Ward 1), and Hernandez (Ward 1). The annual cost per center is approximately $132,850. Each of the centers is heavily supported by volunteers. The Hernandez Center recently reopened following the completion of a major construction project, and Ruben Campos is scheduled for improvements funded by State and local grants in early 2013. The closure of the Hernandez Center would result in the closure of the only in-door gymnasium located in a City park as well as the aquatics program. With the proposed closure of the Ruben Campos Center, State grant funds awarded for the construction of Pavilion, will be at risk. The proposed closure of Lytle Creek would eliminate a center that provides significant support to the surrounding community.
- Evaluate the termination of the agreement with the Boys and Girls Club, which would result in a cost savings of $85,000 per year, for the programming of the Delmann Heights Center. Unlike the community centers that are solely operated by recreation staff, Delmann Heights is open Monday through Friday. At its peak attendance, Delmann Heights averaged approximately 1,400 participants per month. More recently, the Center averages approximately 200 participants per month. The termination of the agreement and the resulting closure of the City portion of the center may create safety and blight issues that may also impact the County Head start program directly adjacent to the center. Further partnership opportunities may exist that would allow for the continuation of operations at the site, with revenue potential ranging from $35,000 to $70,000 annually. If that were to occur, it is recommended that the Boys and Girls Club consolidate their operations at the 9th Street location as they remain a viable community partner.
- Evaluate the closure of the Verdemont Center (Ward 5). Like other centers, this center provides significant support to the surrounding neighborhood.
- Evaluate the closure of the Senior Centers – 5th Street Senior Center (Ward 1) and the Perris Hill Senior Center (Ward 2) - which provide congregate meals, the Retired Senior Volunteer Program, Senior Companion Programs, and others. About $588,378 in grant revenue is received by the City for these programs. There is also a General Fund obligation of $251,400. Closure of the senior centers would result in the eliminate one Recreation Coordinator position, one Recreation Program Supervisor, one Program Manager and several part-time employees resulting an annual cost savings of $251,400. The closure would have a significant impact to the seniors and may result in a loss of future grant funding and a degradation of senior services, programs and activities.
- Evaluate the closure of Pioneer Cemetery as the cemetery is reaching capacity and the Cemetery fund faces declining revenues and an increasing General fund subsidy. Two positions are funded by the Cemetery fund and any closure would result in the elimination of the funding, resulting in a funding shift or elimination of the positions. Perpetual care is still required of this facility, which will be linked to park maintenance. Total savings to the Cemetery Fund as a result of the elimination of the two positions is $116,000 per year. According to the Historical Society, the Pioneer Cemetery has never been maintained at a higher level; however, without the ability to expand the current site, opportunities to sell the site to a private operator are limited and confined to “caretaking/servicing of pre-needs”.

It is also recommended the Mayor and Common Council review and consider the various revenue enhancement strategies, which have been presented previously, and identify strategies

for further consideration. While the implementation of new measures would not have an immediate impact on the City's financial condition, new sources of revenue are needed for the City's long-term fiscal health.

APPENDIX A – SUMMARY OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (General Fund)

CITY OF SAN BERNARDINO, CALIFORNIA
Summary of Revenues, Expenditures, and Changes in Fund Balance
General Fund

	2010-11 Unaudited Actuals	*UNAUDITED* YEAR END PROJECTIONS FY 2011-12	*PRELIMINARY* BUDGET FY 2012-13	*PROPOSED* PRE-PENDENCY PLAN BUDGET FY 2012-13	$ Inc/(Dec)	% Inc/(Dec)
Revenues:						
Property Taxes	26,373,217	26,096,688	26,867,362	26,867,362	-	0.00%
Other Taxes	58,462,657	60,737,290	62,908,081	62,908,081	-	0.00%
Licenses & Permits	7,910,202	9,172,900	9,441,900	9,441,900	-	0.00%
Fines and Penalties	2,283,426	1,811,800	2,104,300	2,104,300	-	0.00%
Use of Money & Property	3,156,270	733,000	733,000	733,000	-	0.00%
Intergovernmental	13,481,247	10,583,888	7,297,722	8,797,722	1,500,000	20.55%
Charges for Services	7,319,098	6,854,823	6,898,400	6,898,400	-	0.00%
Miscellaneous	4,627,935	4,101,750	4,173,400	4,173,400	-	0.00%
Total Revenues	**123,614,051**	**120,092,139**	**120,424,165**	**121,924,165**	**1,500,000**	**1.25%**
Expenditures:						
Mayor	644,437	819,900	931,715	599,815	(331,901)	-35.62%
Common Council	459,440	681,700	705,650	705,650	0	0.00%
City Clerk	1,507,051	2,497,815	1,720,468	1,135,333	(585,135)	-34.01%
City Treasurer	202,524	210,400	226,066	224,866	(1,200)	-0.53%
City Attorney	4,095,525	4,441,850	4,959,606	4,959,606	0	0.00%
General Government	2,265,929	4,904,500	21,355,965	16,620,585	(4,735,380)	-22.17%
City Manager	1,179,586	1,282,000	1,485,318	1,112,593	(372,725)	-25.09%
Civil Service	286,522	356,400	411,275	406,275	(5,000)	-1.22%
Human Resources	508,371	614,300	778,433	521,524	(256,909)	-33.00%
Finance	1,902,878	1,895,185	1,801,097	1,682,756	(118,341)	-6.57%
Community Development	6,275,707	5,474,300	7,951,225	5,951,626	(1,999,599)	-25.15%
Fire	33,506,873	36,339,485	39,123,792	33,253,038	(5,870,754)	-15.01%
Police	63,573,080	65,106,500	67,630,580	62,166,248	(5,464,332)	-8.08%
Parks, Rec. & Com. Svc.	5,067,528	4,894,000	5,425,725	4,649,973	(775,752)	-14.30%
Debt Service	4,102,847	1,758,500	1,758,500	1,758,500	-	0.00%
Public Works	8,005,331	8,489,900	9,971,142	8,118,371	(1,852,771)	-18.58%
Total Expenditures	**133,583,628**	**139,766,735**	**166,236,557**	**143,866,758**	**(22,369,799)**	**-13.46%**
Excess of Revenues Over (Under) Expenditures	(9,969,577)	(19,674,596)	(45,812,392)	(21,942,593)	23,869,799	
Operating Transfers In:						
Gas Tax Fund		3,620,000	3,620,000	3,620,000	-	
Traffic Safety		1,200,000	1,400,000	1,400,000	-	
1/2 Cent Sales/Road Tax		1,200,000	1,200,000	1,200,000	-	
Cultural Development Fund		357,000	357,000	357,000	-	
Storm Drain Fund		132,700	-	-	-	
Refuse Fund		3,721,800	-	-	-	
General Liability Fund		2,000,000	-	-	-	
Sewer Line Maint. & Constr. Fund		1,735,900	700,000	700,000	-	
CFD 1033-Fire Station Fund		585,600	585,600	585,600	-	
Air Quality Fund - AB2766		70,000	70,000	70,000	-	
Total Op Trans In	13,023,914	14,961,100	7,932,600	7,932,600	-	
Operating Transfers (Out):						
Animal Control Fund		(383,300)	(816,000)	(745,900)	70,100	
Library Fund		(2,131,800)	(2,221,958)	(1,600,000)	621,958	
LMD's		(200,000)	-	-	-	
Refuse Fund - Street Sweeping		(65,000)	(65,000)	(65,000)	-	
Total Op Trans Out	(4,646,233)	(2,780,100)	(3,102,958)	(2,410,900)	692,058	
Total Net Operating Transfers In/(Out)	8,377,681	12,181,000	4,829,642	5,521,700	692,058	
Excess of Revenues Over (Under) Expenditures and Operating Transfers In/Out	(1,591,896)	(7,493,596)	(40,982,750)	(16,420,893)	24,561,857	

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: MAYOR							
Salaries							
5011	Salaries perm/fulltime	353,241	424,500	514,400	225,861	(288,540)	-56.1%
5013	Automobile allowance	1,650	6,900	6,900	6,900		
5014	Salaries temp/parttime	29,750	-	-	-		
5015	Overtime	665	-	-	-		
	Total: Salaries	**385,306**	**431,400**	**521,300**	**232,761**	**(288,540)**	-66.9%
Benefits							
5026	PERS retirement	76,244	102,300	123,834	51,398	(72,436)	-58.5%
5027	Health and life insurance	58,760	73,300	76,300	31,800	(44,500)	-58.3%
5028	Unemployment insurance	910	1,400	1,500	600	(900)	-60.0%
5029	Medicare	5,717	6,400	7,500	3,400	(4,100)	-54.7%
	Total: Benefits	**141,632**	**183,400**	**209,134**	**87,198**	**(121,936)**	-66.5%
	Total: Salaries & benefits	**526,938**	**614,800**	**730,434**	**319,959**	**(410,476)**	-66.8%
Maintenance and Operations							
5031	MOU concession	-	-	-	-		
5111	Material and supplies	11,018	15,000	15,000	13,000	(2,000)	-13.3%
5122	Dues and subscriptions	1,507	2,000	2,000	2,000		
5131	Mileage	73	500	500	500		
5132	Meetings and conferences	17,827	25,000	25,000	18,000	(7,000)	-28.0%
5133	Education and training	728	3,000	3,000	2,000	(1,000)	-33.3%
5172	Equipment maintenance	-	1,000	1,000	1,000		
5174	Printing charges	2,820	4,000	4,000	4,000		
5175	Postage	6,164	5,000	5,000	5,000		
5176	Copy machine charges	6,682	11,500	11,500	10,500	(1,000)	-8.7%
5186	Civic and promotional	1,468	10,000	10,000	9,575	(425)	-4.3%
5193	Grant match	(50)	4,500	4,500	4,500		
	Total: Maintenance and Operations	**48,237**	**81,500**	**81,500**	**70,075**	**(11,425)**	-14.0%
Contract Services							
5502	Professional/contractual services	33,345	13,700	-	90,000	90,000	#DIV/0!
5505	Other professional services	117	-	-	-		
	Total: Contractual Services	**33,462**	**13,700**	**-**	**90,000**	**90,000**	#DIV/0!
Internal Service Charges							
5601	Garage charges	2,000	1,300	200	200		
5602	Workers compensation	6,500	4,600	7,225	7,225		
5603	Liability	4,900	4,000	4,000	4,000		
5604	IT charges in-house	16,900	65,800	73,062	73,062		
5605	Telephone support	4,700	11,400	13,194	13,194		
5606	Electric	-	22,000	22,000	22,000		
5612	Fleet charges - fuel	800	800	100	100		
	Total: Internal Service Charges	**35,800**	**109,900**	**119,781**	**119,781**	**-**	0.0%
Capital Outlay							
5703	Communications equipment	-	-	-	-		
	Total: Capital Outlay	**-**	**-**	**-**	**-**	**-**	#DIV/0!
Credit/billables							
5910	Credit - federal and state program fundi	-	-	-	-		
	Total: Credit/billables	**-**	**-**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**117,499**	**205,100**	**201,281**	**279,856**	**78,575**	39.0%
Department Total: Mayor		**644,437**	**819,900**	**931,715**	**599,815**	**(331,901)**	-35.6%

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: COMMON COUNCIL							
Salaries							
5011	Salaries perm/fulltime	193,202	223,100	292,300	292,300		
5013	Automobile allowance	44,000	48,300	48,300	48,300		
5014	Salaries temp/parttime	17,668	26,200	26,200	26,200		
	Total: Salaries	**254,870**	**297,600**	**366,800**	**366,800**	**-**	**0.0%**
Benefits							
5026	PERS retirement	40,880	56,500	74,113	74,113	(0)	0.0%
5027	Health and life insurance	97,693	123,200	119,900	119,900		
5028	Unemployment insurance	622	600	900	900		
5029	Medicare	3,723	3,900	4,800	4,800		
	Total: Benefits	**142,918**	**184,200**	**199,713**	**199,713**	**(0)**	**0.0%**
	Total: Salaries & benefits	**397,787**	**481,800**	**566,513**	**566,513**	**(0)**	**0.0%**
Maintenance and Operations							
5031	MOU concession	-	-	-	-		
5111	Material and supplies	6,621	15,372	7,600	7,600		
5112	Small tools and equipment	-	-	-	-		
5122	Dues and subscriptions	202	200	200	200		
5142	Meetings and conferences - Ward 1	952	4,890	3,700	3,700		
5143	Meetings and conferences - Ward 2	2,245	16,439	3,700	3,700		
5144	Meetings and conferences - Ward 3	275	20,107	3,700	3,700		
5145	Meetings and conferences - Ward 4	328	10,657	3,700	3,700		
5146	Meetings and conferences - Ward 5	4,071	6,442	3,700	3,700		
5147	Meetings and conferences - Ward 6	2,136	16,806	3,700	3,700		
5148	Meetings and conferences - Ward 7	60	8,487	3,700	3,700		
5172	Equipment maintenance	71	400	400	400		
5174	Printing charges	250	1,000	1,000	1,000		
5175	Postage	7,022	800	800	800		
5176	Copy machine charges	8,715	6,200	6,200	6,200		
5186	Civic and promotional	599	1,100	1,100	1,100		
	Total: Maintenance and Operations	**33,546**	**108,900**	**43,200**	**43,200**	**-**	**0.0%**
Internal Service Charges							
5601	Garage charges	100	200	200	200		
5602	Workers compensation	1,300	3,700	3,825	3,825		
5603	Liability	7,800	7,800	7,800	7,800		
5604	IT charges in-house	7,700	51,800	56,694	56,694		
5605	Telephone support	8,400	9,500	9,418	9,418		
5606	Electric	-	17,600	17,600	17,600		
5612	Fleet charges - fuel	500	400	400	400		
	Total: Internal Service Charges	**25,800**	**91,000**	**95,937**	**95,937**	**-**	**0.0%**
Capital Outlay				-	-		
5704	Miscellaneous equipment	2,306	-	-	-		
	Total: Capital Outlay	**2,306**	**-**	**-**	**-**	**-**	**#DIV/0!**
	Total: Non-Personnel Expenses	**61,652**	**199,900**	**139,137**	**139,137**	**-**	**0.0%**
Department Total: Common Council		**459,440**	**681,700**	**705,650**	**705,650**	**(0)**	**0.0%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: CITY CLERK							
Salaries							
5011	Salaries perm/fulltime	806,908	823,000	959,500	522,400	(437,100)	-45.6%
5013	Automobile allowance	6,600	6,800	6,900	6,900		
5014	Salaries temp/parttime	33,371	36,900	36,900	36,900		
	Total: Salaries	**846,879**	**866,700**	**1,003,300**	**566,200**	**(437,100)**	**-43.6%**
Benefits							
5026	PERS retirement	169,990	202,400	225,833	121,598	(104,235)	-46.2%
5027	Health and life insurance	186,068	179,200	174,400	87,200	(87,200)	-50.0%
5028	Unemployment insurance	2,165	2,300	2,900	1,600	(1,300)	-44.8%
5029	Medicare	10,559	12,000	14,100	7,800	(6,300)	-44.7%
	Total: Benefits	**368,782**	**395,900**	**417,233**	**218,198**	**(199,035)**	**-47.7%**
	Total: Salaries & benefits	**1,215,661**	**1,262,600**	**1,420,533**	**784,398**	**(636,135)**	**-44.8%**
Maintenance and Operations							
5030	PERS credit	-	-	-	-		
5031	MOU concession	-	-	-	-		
5111	Material and supplies	5,858	9,200	8,200	8,200		
5112	Small tools and equipment	380	2,400	1,500	1,500		
5121	Advertising	4,259	4,900	4,400	4,400		
5122	Dues and subscriptions	1,128	1,815	1,500	1,500		
5132	Meetings and conferences	1,760	2,600	3,500	3,500		
5133	Education and training	-	620	1,000	1,000		
5171	Rentals	-	-	-	-		
5172	Equipment maintenance	-	-	-	-		
5174	Printing charges	10,926	15,930	15,750	15,750		
5175	Postage	41,438	46,450	46,550	36,550	(10,000)	-21.5%
5176	Copy machine charges	6,081	8,800	8,800	8,800		
5181	Other operating expenses	4,117	5,100	5,000	5,000		
5183	Management allowance	-	200	200	200		
	Total: Maintenance and Operations	**75,948**	**98,015**	**96,400**	**86,400**	**(10,000)**	**-10.2%**
Contract Services				-			
5502	Professional/contractual services	63,786	935,900	3,600	100,600	97,000	2694.4%
5505	Other professional services	46,476	62,000	62,000	26,000	(36,000)	-58.1%
	Total: Contractual Services	**110,262**	**997,900**	**65,600**	**126,600**	**61,000**	**6.1%**
Internal Service Charges				-			
5601	Garage charges	400	200	300	300		
5602	Workers compensation	7,900	6,100	9,300	9,300		
5603	Liability	3,100	3,000	3,100	3,100		
5604	IT charges in-house	90,200	100,100	96,220	96,220		
5605	Telephone support	2,700	6,600	6,715	6,715		
5606	Electric	-	22,100	22,100	22,100		
5612	Fleet charges - fuel	500	500	200	200		
	Total: Internal Service Charges	**104,800**	**138,600**	**137,935**	**137,935**	**-**	**0.0%**
Capital Outlay							
5702	Computer equipment	380	700				
	Total: Capital Outlay	**380**	**700**	**-**	**-**	**-**	**100.0%**
	Total: Non-Personnel Expenses	**291,390**	**1,235,215**	**299,935**	**350,935**	**51,000**	**4.1%**
Department Total: City Clerk		**1,507,051**	**2,497,815**	**1,720,468**	**1,135,333**	**(585,135)**	**-23.4%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: CITY TREASURER							
Salaries							
5011	Salaries perm/fulltime	112,506	**110,100**	124,100	124,666	566	0.5%
5013	Automobile allowance	6,600	6,900	6,900	6,900		
	Total: Salaries	**119,106**	**117,000**	**131,000**	**131,566**	**566**	**0.5%**
Benefits							
5026	PERS retirement	24,030	27,900	30,900	30,900		
5027	Health and life insurance	39,200	33,600	32,700	32,700		
5028	Unemployment insurance	266	400	400	400		
5029	Medicare	959	1,700	1,900	1,900		
	Total: Benefits	**64,455**	**63,600**	**65,900**	**65,900**	**-**	**0.0%**
	Total: Salaries & benefits	**183,561**	**180,600**	**196,900**	**197,466**	**566**	**0.3%**
Maintenance and Operations				-			
5031	MOU concession	-	-	-	-		
5111	Material and supplies	995	1,100	1,100	1,100		
5112	Small tools and equipment	-	300	300	300		
5122	Dues and subscriptions	756	1,300	1,300	1,000	(300)	-23.1%
5132	Meetings and conferences	1,273	2,700	2,700	2,700		
5171	Rentals	-	-	-	-		
5172	Equipment maintenance	4,155	4,500	5,066	4,000	(1,066)	-21.0%
5174	Printing charges	39	300	300	300		
5175	Postage	35	200	200	200		
5176	Copy machine charges	1,092	900	900	900		
	Total: Maintenance and Operations	**8,345**	**11,300**	**11,866**	**10,500**	**(1,366)**	**-12.1%**
Contract Services				-			
5502	Professional/contractual services	3,119	4,400	4,400	4,000	(400)	-9.1%
	Total: Contractual Services	**3,119**	**4,400**	**4,400**	**4,000**	**(400)**	**-9.1%**
Internal Service Charges				-	-		
5602	Workers compensation	1,400	2,100	900	900		
5603	Liability	1,000	1,000	1,000	1,000		
5604	IT charges in-house	5,000	-	-	-		
5605	Telephone support	100	-	-	-		
5606	Electric	-	11,000	11,000	11,000		
	Total: Internal Service Charges	**7,500**	**14,100**	**12,900**	**12,900**	**-**	**0.0%**
	Total: Non-Personnel Expenses	**18,963**	**29,800**	**29,166**	**27,400**	**(1,766)**	**-5.9%**
Department Total: City Treasurer		**202,524**	**210,400**	**226,066**	**224,866**	**(1,200)**	**-0.6%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: CITY ATTORNEY							
Salaries							
5011	Salaries perm/fulltime	1,884,727	1,776,200	1,933,400	1,933,400		
5013	Automobile allowance	6,600	6,900	6,900	6,900		
5014	Salaries temp/parttime	173,558	173,000	265,160	265,160		
5015	Overtime	6,554	7,100	7,100	7,100		
	Total: Salaries	**2,071,439**	**1,963,200**	**2,212,560**	**2,212,560**	**-**	**0.0%**
Benefits							
5026	PERS retirement	339,343	447,500	456,430	456,430		
5027	Health and life insurance	215,288	229,400	207,100	207,100		
5028	Unemployment insurance	5,728	5,100	6,100	6,100		
5029	Medicare	30,225	26,000	28,200	28,200		
	Total: Benefits	**590,583**	**708,000**	**697,830**	**697,830**	**-**	**0.0%**
	Total: Salaries & benefits	**2,662,022**	**2,671,200**	**2,910,390**	**2,910,390**	**-**	**0.0%**
Maintenance and Operations							
5031	MOU concession	-	-	-	-		
5111	Material and supplies	17,321	12,907	16,000	16,000		
5112	Small tools and equipment	6,768	3,007	4,400	4,400		
5121	Advertising	2,485	5,800	4,300	4,300		
5122	Dues and subscriptions	11,576	6,863	14,000	14,000		
5123	Library books	70,769	66,976	75,000	75,000		
5131	Mileage	-	1,000	300	300		
5132	Meetings and conferences	1,469	3,600	3,000	3,000		
5133	Education and training	1,185	7,272	10,500	10,500		
5152	Gas charges	-	-	-	-		
5171	Rentals	8,490	8,318	6,300	6,300		
5172	Equipment maintenance	4,106	3,457	9,000	9,000		
5174	Printing charges	(351)	4,666	6,000	6,000		
5175	Postage	8,566	6,882	7,100	7,100		
5176	Copy machine charges	8,060	7,134	11,100	11,100		
5177	Litigation expenses	262,890	475,329	421,376	421,376		
5183	Management allowance	474	593	600	600		
	Total: Maintenance and Operations	**403,808**	**613,804**	**588,976**	**588,976**	**-**	**0.0%**
Contract Services				-			
5502	Professional/contractual services	5,539	18,927	25,727	25,727		
5503	Litigation - outside attorneys	982,137	1,048,165	1,345,376	1,345,376		
5505	Other professional services	420	454	454	454		
	Total: Contractual Services	**988,095**	**1,067,546**	**1,371,557**	**1,371,557**	**-**	**0.0%**
Internal Service Charges				-	-		
5601	Garage charges	2,200	5,100	5,253	5,253		
5602	Workers compensation	12,400	11,500	11,845	11,845		
5603	Liability	9,900	9,800	10,094	10,094		
5604	IT charges in-house	7,400	23,700	24,411	24,411		
5605	Telephone support	4,700	8,400	8,652	8,652		
5606	Electric	-	22,100	22,763	22,763		
5612	Fleet charges - fuel	5,000	5,500	5,665	5,665		
	Total: Internal Service Charges	**41,600**	**86,100**	**88,683**	**88,683**	**-**	**0.0%**
Capital Outlay							
5702	Computer equipment	-	2,500	-	-		
5704	Miscellaneous equipment	-	700	-	-		
	Total: Capital Outlay	**-**	**3,200**	**-**	**-**	**-**	**0.0%**
Debt Service				-	-		
5803	Lease payments	-	-	-	-		
	Total: Debt Service	**-**	**-**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**1,433,503**	**1,770,650**	**2,049,216**	**2,049,216**	**-**	**0.0%**
Department Total: City Attorney		**4,095,525**	**4,441,850**	**4,959,606**	**4,959,606**	**-**	**0.0%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: GENERAL GOVERNMENT & DEBT SERVICE							
Personnel							
Salaries							
5xxx	PARS	31,991	160,800	500,000	500,000		
5015	Overtime	30,819	-	-	-		
	Total: Salaries	**62,809**	**160,800**	**500,000**	**500,000**	**-**	**0.0%**
Other							
5024	PERS retirees health	448,906	600,000	6,658,000	625,000	(6,033,000)	-90.6%
WORK COPM	WORKERS' COMP UNFUNDED PORTION	249	-	3,269,239	3,269,239		
GEN LIABILITY	GEN LIABILITY CLAIMS	2,735	-	4,920,071	4,920,071		
CASHOUTS	CASHOUTS - HISTORICAL AVERAGE	576	-	3,453,175	3,453,175		
	Other	-	-	-	-		
	Total: Other	**452,466**	**600,000**	**18,300,485**	**12,267,485**	**(6,033,000)**	**-1005.5%**
	Total: Salaries & benefits	**515,275**	**760,800**	**18,800,485**	**12,767,485**	**(6,033,000)**	**-793.0%**
Maintenance and Operations							
5030	PERS credit	-	-	-	-		
5031	MOU concession	-	-	-	-		
5032	Reimbursed nonhealth benefit	(24,885)	-	-	-		
5111	Material and supplies	8,983	5,000	5,000	2,500	(2,500)	-50.0%
5122	Dues and subscriptions	124,861	125,000	125,000	115,000	(10,000)	-8.0%
5133	Education and training	3,245	-	-	-		
5174	Printing charges	4,349	7,000	7,000	5,000	(2,000)	-28.6%
5175	Postage	1,157	-	-	-		
5184	Low income rebates	836	1,000	1,000	1,000		
5185	Fine art funding	133,500	133,500	133,500	133,500		
5186	Civic and promotional	166,462	223,500	223,500	100,000	(123,500)	-55.3%
	Total: Maintenance and Operations	**418,508**	**495,000**	**495,000**	**357,000**	**(138,000)**	**-27.9%**
Contract Services							
5502	Professional/contractual services	1,129,446	3,448,700	1,296,100	1,296,100		
various	Phone switch and network infrastructure	-	-	564,380	-	(564,380)	-100.0%
5505	Other professional services	202,700	200,000	200,000	2,200,000	2,000,000	1000.0%
	Total: Contractual Services	**1,332,146**	**3,648,700**	**2,060,480**	**3,496,100**	**1,435,620**	**39.3%**
Debt Service							
5803	Lease payments	2,071,832	1,758,500	1,758,500	1,758,500		
	Total: Debt Service	**2,071,832**	**1,758,500**	**1,758,500**	**1,758,500**	**-**	**0.0%**
	Total: Non-Personnel Expenses	**1,750,654**	**4,143,700**	**2,555,480**	**3,853,100**	**1,297,620**	**31.3%**
Department Total: General Government		**2,265,929**	**4,904,500**	**21,355,965**	**16,620,585**	**(4,735,380)**	**-96.6%**
Department Total: Debt Service		**4,102,847**	**1,758,500**	**1,758,500**	**1,758,500**	**-**	**0.0%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: CITY MANAGER							
Personnel							
Salaries							
5011	Salaries perm/fulltime	825,992	848,000	1,002,986	735,971	(267,015)	-26.6%
5012	Special salaries	-	(53,600)	11,040	11,040		
5013	Automobile allowance	17,370	19,600	18,555	13,455	(5,100)	-27.5%
5018	Vacation pay	13,882	-	-	-		
	Total: Salaries	**857,245**	**814,000**	**1,032,581**	**760,466**	**(272,115)**	**-33.4%**
Benefits							
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	156,977	217,100	200,123	151,113	(49,010)	-24.5%
5027	Health and life insurance	81,239	89,600	91,233	58,533	(32,700)	-35.8%
5028	Unemployment insurance	2,462	2,600	2,973	2,173	(800)	-26.9%
5029	Medicare	11,938	12,800	14,865	10,765	(4,100)	-27.6%
	Total: Benefits	**252,616**	**322,100**	**309,194**	**222,584**	**(86,610)**	**-26.9%**
	Total: Salaries & benefits	**1,109,861**	**1,136,100**	**1,341,775**	**983,050**	**(358,725)**	**-31.6%**
Maintenance and Operations				-	-		
5111	Material and supplies	4,370	4,500	4,500	3,500	(1,000)	-22.2%
5121	Advertising	-	-	-	-		
5122	Dues and subscriptions	4,377	6,000	6,000	3,000	(3,000)	-50.0%
5132	Meetings and conferences	13,393	10,500	10,500	7,500	(3,000)	-28.6%
5133	Education and training	392	500	500	500		
5174	Printing charges	5,345	5,000	5,000	4,000	(1,000)	-20.0%
5175	Postage	633	500	500	500		
5176	Copy machine charges	3,914	6,000	6,000	6,000		
5181	Other operating expenses	3,741	1,000	1,000	1,000		
5182	Bad debts/uncollectible accounts	-	-	-	-		
5183	Management allowance	-	600	600	600		
5184	Low income rebates	-	-	-	-		
5199	Depreciation expense	-	-	-	-		
	Total: Maintenance and Operations	**36,165**	**34,600**	**34,600**	**26,600**	**(8,000)**	**-23.1%**
Contract Services				-	-		
5502	Professional/contractual services	2,560	6,000	6,000	-	(6,000)	-100.0%
	Total: Contractual Services	**2,560**	**6,000**	**6,000**	**-**	**(6,000)**	**-100.0%**
Internal Service Charges				-	-		
5601	Garage charges	400	-	-	-		
5602	Workers compensation	3,800	4,700	7,625	7,625		
5603	Liability	7,300	7,300	7,300	7,300		
5604	IT charges in-house	16,800	65,700	61,254	61,254		
5605	Telephone support	2,600	5,600	4,764	4,764		
5606	Electric	-	22,000	22,000	22,000		
5612	Fleet charges - fuel	100	-	-	-		
	Total: Internal Service Charges	**31,000**	**105,300**	**102,943**	**102,943**	**-**	**0.0%**
7451	Transfers out	-	-	-	-		
	Total: Transfers Out	**-**	**-**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**69,725**	**145,900**	**143,543**	**129,543**	**(14,000)**	**-9.6%**
Department Total: City Manager		**1,179,586**	**1,282,000**	**1,485,318**	**1,112,593**	**(372,725)**	**-29.1%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: HUMAN RESOURCES							
Personnel							
Salaries							
5011	Salaries perm/fulltime	303,119	308,200	433,250	268,940	(164,310)	-37.9%
5012	Special salaries	-	-	-	-		
5013	Automobile allowance	3,960	4,200	4,140	-	(4,140)	-100.0%
5014	Salaries temp/parttime	32,757	20,000	20,000	20,000		
5015	Overtime	24	-	-	-		
5016	Force account labor	-	-	-	-		
5018	Vacation pay	-	-	-	-		
	Total: Salaries	**339,860**	**332,400**	**457,390**	**288,940**	**(168,450)**	**-50.7%**
Benefits							
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	64,680	77,800	105,865	64,136	(41,729)	-39.4%
5027	Health and life insurance	40,106	47,000	52,270	33,240	(19,030)	-36.4%
5028	Unemployment insurance	1,021	1,000	1,220	660	(560)	-45.9%
5029	Medicare	3,810	4,600	6,360	3,920	(2,440)	-38.4%
	Total: Benefits	**109,618**	**130,400**	**165,715**	**101,956**	**(63,759)**	**-48.9%**
	Total: Salaries & benefits	**449,478**	**462,800**	**623,105**	**390,896**	**(232,209)**	**-50.2%**
Maintenance and Operations				-			
5030	PERS credit	-	-	-	-		
5031	MOU concession	-	-	-	-		
5032	Reimbursed nonhealth benefit	-	-	-	-		
5111	Material and supplies	2,965	3,800	4,300	2,800	(1,500)	-34.9%
5112	Small tools and equipment	-	-	-	-		
5113	Motor fuel and lubricants	-	-	-	-		
5114	Raw foods	-	-	-	-		
5120	Media expense	-	-	-	-		
5121	Advertising	200	8,000	7,000	3,500	(3,500)	-50.0%
5122	Dues and subscriptions	2,281	2,900	3,700	3,000	(700)	-18.9%
5123	Library books	-	-	-	-		
5129	Street sweepers LP	-	-	-	-		
5131	Mileage	-	-	-	-		
5132	Meetings and conferences	-	2,400	2,400	1,200	(1,200)	-50.0%
5133	Education and training	2,489	3,800	3,700	2,000	(1,700)	-45.9%
5172	Equipment maintenance	128	500	500	500		
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	1,654	6,200	6,000	2,000	(4,000)	-66.7%
5175	Postage	1,129	2,000	2,000	1,000	(1,000)	-50.0%
5176	Copy machine charges	1,773	2,500	2,500	2,000	(500)	-20.0%
5183	Management allowance	103	600	600	-	(600)	-100.0%
5199	Depreciation expense	-	-	-	-		
	Total: Maintenance and Operations	**12,722**	**32,700**	**32,700**	**18,000**	**(14,700)**	**-45.0%**
Contract Services				-	-		
5505	Other professional services	19,970	10,000	10,000	-	(10,000)	-100.0%
5506	Landscape contracts	-	-	-	-		
5507	Facilities services	-	-	-	-		
	Total: Contractual Services	**19,970**	**10,000**	**10,000**	**-**	**(10,000)**	**-100.0%**
Internal Service Charges				-	-		
5601	Garage charges	-	-	-	-		
5602	Workers compensation	3,000	5,200	2,585	2,585		
5603	Liability	9,000	7,100	7,100	7,100		
5604	IT charges in-house	9,000	64,800	71,865	71,865		
5605	Telephone support	5,200	9,700	9,078	9,078		
5606	Electric	-	22,000	22,000	22,000		
	Total: Internal Service Charges	**26,200**	**108,800**	**112,628**	**112,628**	**-**	**0.0%**
	Total: Non-Personnel Expenses	**58,893**	**151,500**	**155,328**	**130,628**	**(24,700)**	**-16.3%**
Department Total: Human Resources		**508,371**	**614,300**	**778,433**	**521,524**	**(256,909)**	**-41.8%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: FINANCE							
Personnel							
Salaries							
5011	Salaries perm/fulltime	950,192	1,039,900	1,097,151	1,019,189	(77,962)	-7.1%
5012	Special salaries	1,800	1,800	1,740	1,680	(60)	-3.4%
5013	Automobile allowance	10,698	12,100	11,643	6,543	(5,100)	-43.8%
5014	Salaries temp/parttime	29,820	50,000	-	-		
5015	Overtime	1,471	500	-	-		
5016	Force account labor	-	-	-	-		
5018	Vacation pay	3,766	-	-	-		
	Total: Salaries	**997,746**	**1,104,300**	**1,110,534**	**1,027,412**	**(83,122)**	**-7.5%**
Benefits							
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	203,414	257,000	252,668	229,702	(22,966)	-9.1%
5027	Health and life insurance	126,990	145,300	139,129	127,639	(11,490)	-8.3%
5028	Unemployment insurance	2,997	3,200	3,372	3,397	25	0.7%
5029	Medicare	11,357	15,200	16,349	15,561	(788)	-4.8%
	Total: Benefits	**344,758**	**420,700**	**411,518**	**376,299**	**(35,219)**	**-8.4%**
	Total: Salaries & benefits	**1,342,504**	**1,525,000**	**1,522,052**	**1,403,711**	**(118,341)**	**-7.8%**
Maintenance and Operations							
5111	Material and supplies	9,326	9,600	9,600	9,600		
5112	Small tools and equipment	285	2,000	2,000	2,000		
5121	Advertising	2,897	2,600	2,600	2,600		
5122	Dues and subscriptions	2,329	2,300	2,300	2,300		
5132	Meetings and conferences	1,808	5,800	5,800	5,800		
5133	Education and training	-	200	200	200		
5171	Rentals	-	-	-	-		
5172	Equipment maintenance	472	600	600	600		
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	2,580	9,400	9,400	9,400		
5175	Postage	6,006	8,185	8,200	8,200		
5176	Copy machine charges	4,521	4,500	4,500	4,500		
5181	Other operating expenses	-	-	-	-		
5182	Bad debts/uncollectible accounts	-	-	-	-		
5199	Depreciation expense	-	-	-	-		
	Total: Maintenance and Operations	**30,225**	**45,185**	**45,200**	**45,200**	**-**	**0.0%**
Contract Services							
5502	Professional/contractual services	-	1,000	1,000	1,000		
5503	Litigation - outside attorneys	-	-	-	-		
5504	Construction	-	-	-	-		
5505	Other professional services	3,349	13,100	1,000	1,000		
5506	Landscape contracts	-	-	-	-		
5507	Facilities services	-	-	-	-		
	Total: Contractual Services	**3,349**	**14,100**	**2,000**	**2,000**	**-**	**0.0%**
Internal Service Charges							
5601	Garage charges	-	-	-	-		
5602	Workers compensation	12,000	8,700	12,700	12,700		
5603	Liability	9,000	9,000	9,000	9,000		
5604	IT charges in-house	504,600	264,900	181,660	181,660		
5605	Telephone support	1,200	5,600	6,485	6,485		
5606	Electric	-	22,000	22,000	22,000		
5611	Fleet charges - lease payments	-	-	-	-		
5612	Fleet charges - fuel	-	-	-	-		
	Total: Internal Service Charges	**526,800**	**310,200**	**231,845**	**231,845**	**-**	**0.0%**
Capital Outlay							
5702	Computer equipment	-	700	-	-		
5720	Land	-	-	-	-		
	Total: Capital Outlay	**-**	**700**	**-**	**-**	**-**	**0.0%**
7451	Transfers out			-	-		
	Total: Transfers Out	**-**	**-**	**-**	**-**		
	Total: Non-Personnel Expenses	**560,374**	**370,185**	**279,045**	**279,045**	**-**	**0.0%**
Department Total: Finance		**1,902,878**	**1,895,185**	**1,801,097**	**1,682,756**	**(118,341)**	**-6.2%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Department: CIVIL SERVICE

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Personnel							
Salaries							
5011	Salaries perm/fulltime	198,773	199,100	233,870	233,870		
5012	Special salaries	-	-	-	-		
5013	Automobile allowance	6,600	6,900	6,900	6,900		
5014	Salaries temp/parttime	-	-	-	-		
5015	Overtime	-	-	-	-		
5016	Force account labor	-	-	-	-		
5018	Vacation pay	-	-	-	-		
	Total: Salaries	**205,373**	**206,000**	**240,770**	**240,770**	**-**	**0.0%**
Benefits					-		
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	42,431	50,200	55,900	55,900		
5027	Health and life insurance	20,288	28,500	27,700	27,700		
5028	Unemployment insurance	616	600	600	600		
5029	Medicare	2,118	3,100	3,400	3,400		
	Total: Benefits	**65,453**	**82,400**	**87,600**	**87,600**	**-**	**0.0%**
	Total: Salaries & benefits	**270,826**	**288,400**	**328,370**	**328,370**	**-**	**0.0%**
Maintenance and Operations				-	-		
5030	PERS credit	-	-	-	-		
5031	MOU concession	-	-	-	-		
5032	Reimbursed nonhealth benefit	-	-	-	-		
5111	Material and supplies	302	2,600	1,250	1,250		
5112	Small tools and equipment	1,670	400	200	200		
5122	Dues and subscriptions	-	-	1,850	1,850		
5132	Meetings and conferences	-	150	-	-		
5172	Equipment maintenance	174	200	200	200		
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	22	100	100	100		
5175	Postage	466	640	400	400		
5176	Copy machine charges	2,063	2,110	2,200	2,200		
5177	Litigation expenses	-	-	-	-		
5199	Depreciation expense	-	-	-	-		
	Total: Maintenance and Operations	**4,696**	**6,200**	**6,200**	**6,200**	**-**	**0.0%**
Contract Services				-			
5502	Professional/contractual services	-	-	-	-		
	Total: Contractual Services	**-**	**-**	**-**	**-**	**-**	**#DIV/0!**
Internal Service Charges				-	-		
5601	Garage charges	-	-	-	-		
5602	Workers compensation	2,000	1,100	1,875	1,875		
5603	Liability	2,000	2,000	2,000	2,000		
5604	IT charges in-house	6,800	55,200	60,286	55,286	(5,000)	-8.3%
5605	Telephone support	200	1,500	1,544	1,544		
5606	Electric	-	11,000	11,000	11,000		
	Total: Internal Service Charges	**11,000**	**70,800**	**76,705**	**71,705**	**(5,000)**	**-7.1%**
	Total: Non-Personnel Expenses	**15,696**	**77,000**	**82,905**	**77,905**	**(5,000)**	**-6.5%**
Department Total: Civil Service		**286,523**	**365,400**	**411,275**	**406,275**	**(5,000)**	**-1.4%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: COMMUNITY DEVELOPMENT							
Personnel							
Salaries							
5011	Salaries perm/fulltime	3,564,995	2,681,100	4,202,100	2,993,900	(1,208,200)	-28.8%
5012	Special salaries	8,750	5,400	9,600	7,200	(2,400)	-25.0%
5013	Automobile allowance	24,788	10,600	6,825	6,825	-	0.0%
5014	Salaries temp/parttime	70,816	73,000	66,000	-	(66,000)	-100.0%
5015	Overtime	12,301	5,000	18,000	-	(18,000)	-100.0%
5016	Force account labor	-	-	-	-	-	#DIV/0!
5018	Vacation pay	10,108	-	-	-	-	#DIV/0!
	Total: Salaries	**3,691,757**	**2,775,100**	**4,302,525**	**3,007,925**	**(1,294,600)**	**-46.7%**
Benefits							#DIV/0!
5024	PERS retirees health	-	-	-	-	-	#DIV/0!
5026	PERS retirement	712,361	672,900	1,048,237	750,601	(297,636)	-28.4%
5027	Health and life insurance	402,174	338,600	441,800	316,500	(125,300)	-28.4%
5028	Unemployment insurance	11,091	8,400	13,000	9,500	(3,500)	-26.9%
5029	Medicare	47,085	39,100	60,825	43,325	(17,500)	-28.8%
	Total: Benefits	**1,172,710**	**1,059,000**	**1,563,862**	**1,119,926**	**(443,936)**	**-41.9%**
	Total: Salaries & benefits	**4,864,468**	**3,834,100**	**5,866,387**	**4,127,851**	**(1,738,536)**	**-45.3%**
Maintenance and Operations							
5111	Material and supplies	56,703	50,000	84,000	47,300	(36,700)	-43.7%
5112	Small tools and equipment	237	16,600	16,600	3,300	(13,300)	-80.1%
5121	Advertising	15,210	14,000	27,600	13,500	(14,100)	-51.1%
5122	Dues and subscriptions	4,816	7,500	18,200	500	(17,700)	-97.3%
5131	Mileage	-	500	3,500	-	(3,500)	-100.0%
5132	Meetings and conferences	313	5,000	25,500	-	(25,500)	-100.0%
5133	Education and training	5,999	15,000	42,400	500	(41,900)	-98.8%
5165	SIR deductible	-	-	-	-		
5171	Rentals	82	-	2,100	200	(1,900)	-90.5%
5172	Equipment maintenance	1,195	1,500	8,000	1,900	(6,100)	-76.3%
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	11,812	16,000	53,500	16,500	(37,000)	-69.2%
5175	Postage	52,509	60,000	75,400	55,700	(19,700)	-26.1%
5176	Copy machine charges	9,263	6,000	20,600	15,600	(5,000)	-24.3%
5181	Other operating expenses	30	7,500	21,800	8,500	(13,300)	-61.0%
5183	Management allowance	136	600	600	600		
	Total: Maintenance and Operations	**158,304**	**200,200**	**399,800**	**164,100**	**(235,700)**	**-117.7%**
Contract Services							
5502	Professional/contractual services	303,065	343,400	343,400	340,000	(3,400)	-1.0%
5503	Litigation - outside attorneys	-	-	-	-		
5504	Construction	-	-	-	-		
5505	Other professional services	211,395	259,400	259,063	237,100	(21,963)	-8.5%
5506	Landscape contracts	109,775	29,200	53,000	53,000		
5507	Facilities services	-	-	-	-		
	Total: Contractual Services	**624,235**	**632,000**	**655,463**	**630,100**	**(25,363)**	**-4.0%**
Internal Service Charges							
5601	Garage charges	49,200	55,200	43,700	43,700		
5602	Workers compensation	116,800	23,800	96,600	96,600		
5603	Liability	170,200	280,000	280,000	280,000		
5604	IT charges in-house	187,900	244,200	378,486	378,486		
5605	Telephone support	66,000	118,700	151,189	151,189		
5606	Electric	-	33,000	33,000	33,000		
5612	Fleet charges - fuel	38,600	41,100	46,600	46,600		
	Total: Internal Service Charges	**628,700**	**796,000**	**1,029,575**	**1,029,575**	**-**	**0.0%**
Capital Outlay							
5702	Computer equipment	-	8,000	-	-		
5703	Communications equipment	-	-	-	-		
5704	Miscellaneous equipment	-	4,000	-	-		
	Total: Capital Outlay	**-**	**12,000**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**1,411,239**	**1,640,200**	**2,084,838**	**1,823,775**	**(261,063)**	-12.5%
Department: Community Development		**6,275,707**	**5,474,300**	**7,951,225**	**5,951,626**	**(1,999,599)**	-25.1%

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: FIRE DEPARTMENT						1,999,599	
Personnel							
Salaries							
5011	Salaries perm/fulltime	17,359,660	18,100,000	18,411,241	16,243,505	(2,167,736)	-11.8%
5012	Special salaries	307,511	303,600	293,075	97,979	(195,096)	-66.6%
5013	Automobile allowance	3,850	-	6,900	6,900		
5014	Salaries temp/parttime	20,065	15,000	117,400	117,400		
5015	Overtime	6,631,957	6,300,000	6,184,090	5,584,090	(600,000)	-9.7%
5018	Vacation pay	361,359	390,000	-	-		
	Total: Salaries	**24,684,402**	**25,108,600**	**25,012,706**	**22,049,874**	**(2,962,832)**	**-11.8%**
Benefits							
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	4,038,510	4,744,400	5,550,200	4,837,159	(713,041)	-12.8%
5027	Health and life insurance	1,802,542	1,725,000	2,014,053	1,741,217	(272,836)	-13.5%
5028	Unemployment insurance	73,441	75,000	57,415	50,537	(6,878)	-12.0%
5029	Medicare	271,246	275,000	273,749	239,358	(34,391)	-12.6%
	Total: Benefits	**6,185,739**	**6,819,400**	**7,895,417**	**6,868,271**	**(1,027,146)**	**-15.1%**
	Total: Salaries & benefits	**30,870,141**	**31,928,000**	**32,908,123**	**28,918,145**	**(3,989,978)**	**-12.5%**
Maintenance and Operations							
5032	Reimbursed nonhealth benefit	(19,355)	-	-	-		
5111	Material and supplies	291,061	415,900	450,700	415,900	(34,800)	-7.7%
5112	Small tools and equipment	80,407	97,500	85,300	85,300		
5113	Motor fuel and lubricants	10,971	19,100	19,100	19,100		
5121	Advertising	21,782	20,000	20,000	20,000		
5122	Dues and subscriptions	3,387	4,900	4,700	4,700		
5129	Street sweepers LP	1,197	-	-	-		
5131	Mileage	-	500	500	500		
5132	Meetings and conferences	697	2,500	4,200	2,500	(1,700)	-40.5%
5133	Education and training	27,094	33,700	45,200	34,000	(11,200)	-24.8%
5171	Rentals	7,627	12,000	12,000	12,000		
5172	Equipment maintenance	29,917	75,000	100,500	100,500		
5173	Outside vehicle maintenance	23,673	80,000	110,000	80,000	(30,000)	-27.3%
5174	Printing charges	7,289	12,000	16,500	12,000	(4,500)	-27.3%
5175	Postage	14,664	11,000	14,700	14,700		
5176	Copy machine charges	10,925	11,500	15,100	15,100		
5179	Dump/waste fees	1,871	2,000	2,200	2,200		
5181	Other operating expenses	20,060	15,000	20,000	20,000		
5183	Management allowance	9	600	600	600		
5193	Grant match	14,861	9,800	-	-		
	Total: Maintenance and Operations	**548,136**	**823,000**	**921,300**	**839,100**	**(82,200)**	**-10.0%**
Contract Services					-		
5505	Other professional services	161,231	195,000	240,300	240,300		
5507	Facilities services	7,866	13,500	77,500	77,500		
	Total: Contractual Services	**169,097**	**208,500**	**317,800**	**317,800**	**-**	**0.0%**
Internal Service Charges							
5601	Garage charges	-	-	-	-		
5602	Workers compensation	598,930	808,100	834,050	834,050		
5603	Liability	156,600	230,000	230,000	230,000		
5604	IT charges in-house	564,500	654,200	570,753	570,753		
5605	Telephone support	68,600	97,900	91,566	91,566		
5606	Electric	141,900	149,000	149,000	149,000		
5612	Fleet charges - fuel	149,400	106,200	167,400	167,400		
	Total: Internal Service Charges	**1,720,430**	**2,045,400**	**2,042,769**	**2,042,769**	**-**	**0.0%**
Capital Outlay							
5703	Communications equipment	-	-	60,000	-	(60,000)	-100.0%
5704	Miscellaneous equipment	-	21,500	-	-		
5706	Alterations and renovations	2,500	-	-	-		
5715	Assets acquired - Three Fire Engines	196,570	98,285	1,650,000	-	(1,650,000)	-100.0%
	Total: Capital Outlay	**199,069**	**119,785**	**1,710,000**	**-**	**(1,710,000)**	**-1427.6%**
Debt Service							
5803	Debt Payments - Pension Bonds	-	1,214,800	1,223,800	1,135,224	(88,576)	-7.2%
	Total: Debt Service	**-**	**1,214,800**	**1,223,800**	**1,135,224**	**(88,576)**	**-7.3%**
	Total: Non-Personnel Expenses	**2,636,732**	**4,411,485**	**6,215,669**	**4,334,893**	**(1,880,776)**	**-42.6%**
Department Total: Fire		**33,506,873**	**36,339,485**	**39,123,792**	**33,253,038**	**(5,870,754)**	**-16.2%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: POLICE DEPARTMENT							
Personnel							
Salaries							
5011	Salaries perm/fulltime	38,754,880	36,824,200	38,079,345	34,290,363	(3,788,982)	-10.0%
5012	Special salaries	757,915	723,600	723,600	666,000	(57,600)	-8.0%
5013	Automobile allowance	4,675	6,900	6,900	6,900		
5014	Salaries temp/parttime	922,498	988,000	938,000	763,000	(175,000)	-18.7%
5015	Overtime	2,537,262	2,136,600	2,136,600	2,136,600		
5018	Vacation pay	82,156	-	-	-		
	Total: Salaries	**43,059,385**	**40,679,300**	**41,884,445**	**37,862,863**	**(4,021,582)**	**-9.9%**
Benefits					-		
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	9,249,979	10,371,100	11,342,800	10,334,950	(1,007,850)	-8.9%
5027	Health and life insurance	2,930,464	2,735,800	2,620,700	2,277,150	(343,550)	-13.1%
5028	Unemployment insurance	129,390	113,300	118,700	107,200	(11,500)	-9.7%
5029	Medicare	529,209	596,500	536,900	482,050	(54,850)	-10.2%
	Total: Benefits	**12,839,043**	**13,816,700**	**14,619,100**	**13,201,350**	**(1,417,750)**	**-10.3%**
	Total: Salaries & benefits	**55,898,428**	**54,496,000**	**56,503,545**	**51,064,213**	**(5,439,332)**	**-10.0%**
Maintenance and Operations							
5032	Reimbursed nonhealth benefit	-	-	-	-		
5111	Material and supplies	366,010	460,000	429,000	429,000		
5112	Small tools and equipment	66,655	45,000	132,600	132,600		
5113	Motor fuel and lubricants	306	300	300	300		
5121	Advertising	50	1,900	1,900	1,900		
5122	Dues and subscriptions	17,369	48,500	41,700	41,700		
5132	Meetings and conferences	10,051	15,000	23,700	23,700		
5133	Education and training	14,041	31,500	53,500	53,500		
5134	Training - post reimburseable	88,847	150,000	205,000	205,000		
5155	Cellular service	1,487	1,500	1,500	1,500		
5171	Rentals	2,292	20,000	46,400	46,400		
5172	Equipment maintenance	31,862	100,000	154,500	154,500		
5173	Outside vehicle maintenance	45,503	53,500	53,500	53,500		
5174	Printing charges	24,831	20,000	32,800	32,800		
5175	Postage	23,808	26,000	40,500	40,500		
5176	Copy machine charges	40,371	47,000	52,200	52,200		
5181	Other operating expenses	6,453	15,000	12,500	12,500		
5183	Management allowance	190	600	600	600		
5187	Police reserves	13,133	17,000	20,400	20,400		
	Total: Maintenance and Operations	**753,260**	**1,052,800**	**1,302,600**	**1,302,600**	**-**	**0.0%**
Contract Services				-	-		
5502	Professional/contractual services	59,594	45,000	60,000	60,000		
5505	Other professional services	458,584	600,000	619,400	619,400		
	Total: Contractual Services	**518,178**	**645,000**	**679,400**	**679,400**	**-**	**0.0%**
Internal Service Charges							
5601	Garage charges	492,300	893,300	763,800	763,800		
5602	Workers compensation	1,635,200	1,574,000	1,796,475	1,796,475		
5603	Liability	806,900	1,042,700	1,042,700	1,042,700		
5604	IT charges in-house	1,489,200	1,416,800	1,442,424	1,442,424		
5605	Telephone support	168,900	352,600	234,136	234,136		
5606	Electric	291,600	-	-	-		
5607	Gas	36,000	-	-	-		
5608	Water, sewer, geothermal	6,000	-	-	-		
5610	Communications	-	-	-	-		
5611	Fleet charges - lease payments	844,679	881,200	881,200	881,200		
5612	Fleet charges - fuel	597,700	485,000	755,600	755,600		
	Total: Internal Service Charges	**6,368,479**	**6,645,600**	**6,916,335**	**6,916,335**	**-**	**0.0%**
Capital Outlay							
5702	Computer equipment	27,752	5,700	-	-		
5703	Communications equipment	-	-	-	-		
5704	Miscellaneous equipment	6,983	39,000	-	-		
5705	Department computer equipment	-	-	-	-		
5706	Alterations and renovations	-	50,000	25,000	-	(25,000)	-100.0%
	Total: Capital Outlay	**34,735**	**94,700**	**25,000**	**-**	**(25,000)**	**-26.4%**
Debt Service							
5803	Pension Bond payment	-	2,172,400	2,203,700	2,203,700		
	Total: Debt Service	**-**	**2,172,400**	**2,203,700**	**2,203,700**	**-**	**0.0%**
	Total: Non-Personnel Expenses	**7,674,652**	**10,610,500**	**11,127,035**	**11,102,035**	**(25,000)**	**-0.2%**
Department Total: Police		**63,573,080**	**65,106,500**	**67,630,580**	**62,166,248**	**(5,464,332)**	**-8.4%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: PARKS & COMMUNITY SERVICES							
Personnel							
Salaries							
5011	Salaries perm/fulltime	1,783,641	1,392,520	1,824,130	922,400	(901,730)	-49.4%
5012	Special salaries	1,025	-	-	-		
5013	Automobile allowance	12,840	13,600	13,530	8,430	(5,100)	-37.7%
5014	Salaries temp/parttime	417,701	440,000	278,300	278,300		
5015	Overtime	48,565	43,000	38,900	38,900		
5018	Vacation pay	11,218	-	-	-		
	Total: Salaries	**2,274,990**	**1,889,120**	**2,154,860**	**1,248,030**	**(906,830)**	**-48.0%**
Benefits							
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	350,270	345,000	452,818	230,776	(222,042)	-49.0%
5027	Health and life insurance	253,338	212,300	209,770	93,300	(116,470)	-55.5%
5028	Unemployment insurance	6,839	5,300	5,020	2,790	(2,230)	-44.4%
5029	Medicare	27,970	26,500	26,420	13,240	(13,180)	-49.9%
	Total: Benefits	**638,417**	**589,100**	**694,028**	**340,106**	**(353,922)**	**-60.1%**
	Total: Salaries & benefits	**2,913,406**	**2,478,220**	**2,848,888**	**1,588,136**	**(1,260,752)**	**-50.9%**
Maintenance and Operations				-	-		
5111	Material and supplies	256,681	293,700	316,000	306,000	(10,000)	-3.2%
5112	Small tools and equipment	23,944	5,700	8,965	8,965		
5114	Raw foods	-	-	-	-		
5121	Advertising	7,800	7,500	17,500	12,500	(5,000)	-28.6%
5122	Dues and subscriptions	2,185	4,000	4,600	4,600		
5131	Mileage	1,669	3,500	4,900	4,900		
5132	Meetings and conferences	325	3,000	5,600	5,600		
5133	Education and training	-	80	4,400	4,400		
5161	Insurance premiums	11,475	7,500	14,235	14,235		
5171	Rentals	9,461	7,500	13,400	13,400		
5172	Equipment maintenance	81	300	300	300		
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	3,426	4,000	9,800	9,800		
5175	Postage	4,129	4,500	5,300	5,300		
5176	Copy machine charges	8,368	7,500	7,500	7,500		
5181	Other operating expenses	42,553	38,000	-	-		
5193	Grant match	369	-	85,400	85,400		
	Total: Maintenance and Operations	**372,465**	**386,780**	**497,900**	**482,900**	**(15,000)**	**-3.9%**
Contract Services							
5502	Professional/contractual services	376,994	371,800	371,800	871,800	500,000	134.5%
5505	Other professional services	93,550	100,100	124,800	124,800		
5506	Landscape contracts	50,542	73,000	54,900	54,900		
5507	Facilities services	18,534	26,000	37,200	37,200		
	Total: Contractual Services	**539,619**	**570,900**	**588,700**	**1,088,700**	**500,000**	**87.6%**
Internal Service Charges				-	-		
5601	Garage charges	82,200	134,400	175,500	175,500		
5602	Workers compensation	88,200	168,900	209,665	209,665		
5603	Liability	70,000	87,500	87,500	87,500		
5604	IT charges in-house	63,000	116,700	99,972	99,972		
5605	Telephone support	65,900	113,600	71,700	71,700		
5606	Electric	613,600	752,700	752,700	752,700		
5607	Gas	41,000	-	-	-		
5608	Water, sewer, geothermal	119,000	-	-	-		
5612	Fleet charges - fuel	60,500	84,300	93,200	93,200		
	Total: Internal Service Charges	**1,203,400**	**1,458,100**	**1,490,237**	**1,490,237**	**-**	**0.0%**
Capital Outlay				-	-		
5704	Miscellaneous equipment	23,637	-	-	-		
5706	Alterations and renovations	15,000	-	-	-		
	Total: Capital Outlay	**38,637**	**-**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**2,154,122**	**2,415,780**	**2,576,837**	**3,061,837**	**485,000**	**20.1%**
Department Total: Parks Recreation & Community		**5,067,528**	**4,894,000**	**5,425,725**	**4,649,973**	**(775,752)**	**-15.9%**

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 PROPOSED PRE-PENDENCY PLAN BUDGET
GENERAL FUND - 001

Account Number	Description	2011 Actual Amount	2012 Projected Ending Budget	FY2012-13 PRELIMINARY OPERATING BUDGET	FY2012-13 PROPOSED PRE-PENDENCY PLAN	$ Inc/ (Dec)	% Inc/ (Dec)
Department: PUBLIC WORKS							
Personnel							
Salaries							
5011	Salaries perm/fulltime	1,903,789	2,000,000	3,227,650	2,267,355	(960,295)	-29.8%
5012	Special salaries	-	-	-	-		
5013	Automobile allowance	2,100	3,000	4,275	2,550	(1,725)	-40.4%
5014	Salaries temp/parttime	392,223	481,600	475,600	315,730	(159,870)	-33.6%
5015	Overtime	107,563	115,000	60,900	60,900		
5018	Vacation pay	27,251	-	-	-		
	Total: Salaries	**2,432,926**	**2,599,600**	**3,768,425**	**2,646,535**	**(1,121,890)**	**-43.2%**
Benefits					-		
5024	PERS retirees health	-	-	-	-		
5026	PERS retirement	421,659	495,000	780,843	553,672	(227,171)	-29.1%
5027	Health and life insurance	295,914	300,000	374,465	265,435	(109,030)	-29.1%
5028	Unemployment insurance	7,307	8,300	9,935	6,950	(2,985)	-30.0%
5029	Medicare	27,843	41,100	46,655	32,810	(13,845)	-29.7%
	Total: Benefits	**752,723**	**844,400**	**1,211,898**	**858,867**	**(353,031)**	**-41.8%**
	Total: Salaries & benefits	**3,185,649**	**3,444,000**	**4,980,323**	**3,505,402**	**(1,474,921)**	**-42.8%**
Maintenance and Operations							
5111	Material and supplies	763,880	780,300	1,012,000	826,800	(185,200)	-18.3%
5112	Small tools and equipment	4,486	10,000	14,500	7,500	(7,000)	-48.3%
5121	Advertising	1,554	1,000	1,000	1,000		
5122	Dues and subscriptions	4,293	5,500	5,900	3,900	(2,000)	-33.9%
5132	Meetings and conferences	1,465	2,500	4,000	-	(4,000)	-100.0%
5133	Education and training	2,798	2,000	8,800	2,000	(6,800)	-77.3%
5171	Rentals	33,338	42,000	31,600	31,600		
5172	Equipment maintenance	8,511	19,900	8,000	6,200	(1,800)	-22.5%
5173	Outside vehicle maintenance	-	-	-	-		
5174	Printing charges	772	1,000	1,400	650	(750)	-53.6%
5175	Postage	340	1,500	1,500	1,500		
5176	Copy machine charges	6,760	20,500	9,100	5,600	(3,500)	-38.5%
5181	Other operating expenses	-	10,000	40,500	-	(40,500)	-100.0%
5183	Management allowance	-	300	300	-	(300)	-100.0%
	Total: Maintenance and Operations	**828,197**	**896,500**	**1,138,600**	**886,750**	**(251,850)**	**-28.1%**
Contract Services				-	-		
5502	Professional/contractual services	390,549	514,100	512,200	421,200	(91,000)	-17.8%
5505	Other professional services	266,498	390,700	354,400	354,400		
5507	Facilities services	367,337	320,000	281,400	261,400	(20,000)	-7.1%
	Total: Contractual Services	**1,024,384**	**1,224,800**	**1,148,000**	**1,037,000**	**(111,000)**	**-9.1%**
Internal Service Charges				-	-		
5601	Garage charges	198,000	174,400	180,000	180,000		
5602	Workers compensation	216,900	135,000	137,730	137,730		
5603	Liability	270,700	141,000	141,000	141,000		
5604	IT charges in-house	134,800	306,200	148,522	148,522		
5605	Telephone support	43,500	181,500	74,867	74,867		
5606	Electric	1,934,600	1,899,200	1,899,200	1,899,200		
5607	Gas	9,800	-	-	-		
5608	Water, sewer, geothermal	39,200	-	-	-		
5612	Fleet charges - fuel	104,900	87,300	107,900	107,900		
	Total: Internal Service Charges	**2,952,400**	**2,924,600**	**2,689,219**	**2,689,219**	**-**	**0.0%**
Capital Outlay					-		
5703	Communications equipment	-	-	-	-		
5704	Miscellaneous equipment	13,034	-	15,000	-	(15,000)	-100.0%
	Total: Capital Outlay	**13,034**	**-**	**15,000**	**-**	**(15,000)**	**100.0%**
Credit/billables					-		
5949	Billable to Water department	1,668	-	-	-		
	Total: Credit/billables	**1,668**	**-**	**-**	**-**	**-**	#DIV/0!
	Total: Non-Personnel Expenses	**4,819,682**	**5,045,900**	**4,990,819**	**4,612,969**	**(377,850)**	**-7.5%**
Department Total: Public Works		**8,005,331**	**8,489,900**	**9,971,142**	**8,118,371**	**(1,852,771)**	**-21.8%**

APPENDIX B – FISCAL YEAR 2012-2013 PRE-PENDENCY PLAN

CITY OF SAN BERNARDINO, CALIFORNIA
FY2012-13 Pre-Pendency Plan

FY2012-13 Preliminary Operating Budget:			
Revenues		$ 120,424,165	
Expenditures		166,236,557	
Net revenues/(deficit)		(45,812,392)	
Revenue Budget Measures:			
Revenue - SAFER Grant Award for FY2012-13	1,500,000	1,500,000	(w)
Cost Reduction Measures:			
Proposed Workforce and Service Reductions	15,659,404		
Maintenance and Operations - line item reductions	767,675		
Contractual Service Reductions	152,763		
Miscellaneous	93,576		
Cost Reduction Offsets:			
Outsourcing services	(651,000)		
Financial and restructuring costs	(2,000,000)		
Funding Deferrals:			
Deferral of Retiree Health Contribution (ARC)	6,033,000		
Equipment Replacement Deferrals:			
Phone switch and network infrastructure	564,380		
Fire Truck Replacement (3 Engines)	1,710,000		
Equipment (Police and Public Works)	40,000		
Cost Reduction/(offset) Measures		22,369,798	(x)
Net FY 2012-13 Structural Excess/(Deficit) before transfers		(21,942,594)	
Net Transfers In/Out		5,521,700	
Net FY 2012-13 Structural Excess/ (Deficit)		(16,420,894)	(y)
Additional Measures:			
30% of Common Council	211,695		
0% of City Treasurer's Office (c)	-		
30% of City Attorney's office	1,487,882	1,699,577	
Concessions (b):			
Voluntary 10% Concessions (All Depts except Safety)		1,497,900	
10% Concessions by Fire and Fire Management (a)		2,176,999	
10% Concessions by Police (a)		3,990,579	
Potential - Adjusted Net FY 2012-13 Structural Excess/(Deficit)		($7,055,839)	

Notes:
(a) - Interim Measure; to be addressed more fully in mediation/bargaining
(b) - the 10% calculation is after Proposed Workforce and Service Reductions
(c) - Internal control procedures, no further reductions to the City Treasurer's are advised