



CITY OF SAN BERNARDINO, CALIFORNIA
TRANSMITTAL MEMORANDUM

TO: Andrea Travis-Miller, Acting City Manager
FROM: Jason Simpson, Director of Finance 
DATE: September 4, 2012
SUBJECT: City of San Bernardino's Cash Flow Position – Report on Selected Analysis

Funds, which are used to account for specific activities, fall into one of four categories:

- A. The **General Fund**. This fund accounts for the majority of activity of the City's general operations like Police, Fire, Public Works, and other services. In any City Government, there is only one General Fund.
- B. **Discretionary Funds** represent funds that are Special Revenue Funds or Internal Service Funds that do not have legal or Board restrictions. They are simply utilized to track and also spread costs to the overall organization.
- C. **Board Assigned/Committed Funds** represent funds that the Board has made a formal or informal action to assign or commit to specific purposes.
- D. **Restricted Funds** are funds restricted by external entities such as grantors, assessment districts, Measure I sales tax proceeds, and other legal restrictions such as Proposition 218 restrictions.

On July 31, 2012, the day before the City declared bankruptcy, the City had approximately \$6 million in Cash in the City Books. This amount is deceptive, however, because it is the net amount of the four categories above, as follows:

General Fund	\$	(18,946,180)
Discretionary Funds		(3,741,023)
Board Assigned/Committed		1,616,815
Restricted		27,077,679
	\$	<u>6,007,291</u>

In essence, as of 7/31/12 the General Fund has borrowed \$18.9 million from Restricted Funds and Board Assigned/Committed funds to pay for General Fund and Discretionary Fund expenditures. The main reason for this borrowing is the structural deficit that exists in the City, which put quite simply, is that expenditures exceed revenues. Absent immediate actions to reduce the structural deficit, the excess of expenses over revenues are projected to continue each month. The following table which is labeled Exhibit A illustrates the complex and challenging part of managing the City's cash flow.

Exhibit A

CITY OF SAN BERNARDINO, CALIFORNIA SELECTED ANALYSIS OF CITY CASH (unaudited)		
	CASH PER CITY BOOKS*	CALCUATION OF CASH SHORTAGE
Cash per City's books as of 7/31/2012		
General Fund	\$ (18,946,180)	
Discretionary Funds	(3,741,023)	
Board Assigned/Committed	1,616,815	
Restricted	27,077,679	
<i>Net Cash - Citywide (including restricted) @ 7/31/2012</i>		\$ 6,007,291
City's Obligations:		
<u>Due Date</u> <u>Obligation</u>		
7/25/2012 Pension Obligation Bonds - Bond Payment	(3,338,739)	
7/31/2012 Trade payables	(5,054,206)	
7/31/2012 Citywide payroll - Payperiod ending 7/31	(4,806,325)	
7/31/2012 CalPERS/PARS - Payperiod ending 7/31	(1,066,504)	
7/31/2012 Citywide health insurance for the month of August	(750,000)	
7/31/2012 City lawsuits - litigation	(1,461,000)	
7/31/2012 Debt service - State Infrastructure Bank	(1,300,971)	
<i>Amounts due through August 1, 2012</i>		(17,777,745)
Estimated Net Cash Deficit (Citywide) on 8/1/2012 including City Obligations		\$ (11,770,454)

As can be shown from Exhibit A, the City's cash balance was a negative \$18,946,180 and overall positive cash citywide of \$6,007,315, in the General Fund and All Funds Combined, respectively.

- This chart shows that the \$6 million on hand is not enough to fund all the current obligations due and payable immediately totaling approximately \$17,777,745.
- Please note this chart does not factor nor does it project new revenues or new expenditures, and as we are aware expenditures out pace revenues through a current \$45.8 million deficit.
- In short, the City was unable to pay all its debts as they become due and, in fact, the City was short \$11.7 million.
- The City has chosen to defer the Pension Obligation Bond Payments of \$3.3 million; defer funding CalPERS Pension retirement payments; and cutting back by only payment for goods and services that are directly required to keep the basic level city functions operating.



Exhibit A - Detailed

Detail Cash By Fund

As of July 31, 2012

FUND		7/31/2012	GENERAL	DISCRETIO	ASSIGNED	RESTRICTED
			FUND	NARY	COMMITTED	
A	General Fund available					
B	Other Discretionary Funds					
C	Assigned/Committed by Council					
D	Legally Restricted (External or Charter)					
		AMOUNTS	CATEGORY SPREAD			
701	AD 961 TRUST AND AGENCY	D 369,598	0	0	0	369,598
703	AD977A TRUST & AGENCY	D 62,145	0	0	0	62,145
704	AD977B TRUST & AGENCY	D 26,718	0	0	0	26,718
758	AD906 TRUST & AGENCY	D 57,687	0	0	0	57,687
772	SPECIAL DEPOSITS FUND	D 4,098,195	0	0	0	4,098,195
775	CEMETERY PERPETUAL CARE	D 206,366	0	0	0	206,366
784	PAYROLL TRUST FUND	D 1,166,641	0	0	0	1,166,641
TOTAL		\$ 6,007,291 *	(18,946,180)	(3,741,023)	1,616,815	27,077,679

SUMMARY		
General Fund	A	\$ (18,946,180)
Discretionary Funds (General Fund eligible)	B	(3,741,023)
Board assigned/committed	C	1,616,815
Restricted - Prop 218 Funds	D	1,154,299
Restricted	D	25,923,379
TOTAL		\$ 6,007,291

* Please note that the City's financial records have not been closed for FY 12; accordingly, there may be some adjustments to these amounts as we finalize reconciliations and adjustment to the accounting ledgers for FY 2011-12.