



CITY OF SAN BERNARDINO, CALIFORNIA
TRANSMITTAL MEMORANDUM

TO: Mayor and Common Council

FROM: Andrea Travis-Miller, Acting City Manager
Jason Simpson, Director of Finance

DATE: October 8, 2012

SUBJECT: City of San Bernardino's Cash Flow Position – Report on Selected Analysis

BACKGROUND – CASH POSITION DAY BEFORE FILING BANKRUPTCY

On July 31, 2012, the day before the City declared bankruptcy, the City had approximately a \$6 million in Cash on the City's ledger. This amount is deceptive, however, because it is the net amount of the four categories below, 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.

CURRENT CASH POSITION –OCTOBER 8, 2012

On October 8, 2012, the City's overall cash (including restricted funds) was \$14,552,811 and the General Fund's negative cash balance was **(\$17,106,323)**; representing an increase in cash of \$8,545,520 from July 31, 2012. The increase in cash is primarily due to deferral of currently due obligations totaling **(\$23,578,368)** including payments due to bond holders, CalPERS, trade payables, prior litigation costs, and employee leave bank cashouts. As shown on Exhibit A, the City's net cash deficit is a negative **(\$7,925,557)** (See Exhibit A).

The deferral of expenses has been necessary to continue to meet payroll obligations and other critical obligations necessary to provide basic level services. As estimated by staff in July, this would not have been possible without the deferral of the expenses listed above. The City would have run out of cash at the September 15th payroll.

As implemented, the deferral of expenses is intended to be short-term in nature (i.e., through September). In order to continue to provide essential services, the City must complete implementation of the restructuring approved in the Pre-Pendency Plan and continue with certain deferrals until the next phase of the Pendency Plan can be developed and approved by the Mayor and Common Council. Continued reductions in expenses, including those approved in the Pre-Pendency Plan, are necessary to ensure the City can continue to provide services, pay its obligations for services and materials necessary for staff to perform assigned tasks, pay deferred obligations, balance the budget, and to build operating capital and reserves.

CITYWIDE FUND STRUCTURE/CATEGORIES

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.

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 10/8/2012		
General Fund	\$ (17,106,323)	
Discretionary Funds	(3,447,273)	
Board Assigned/Committed	6,573,673	
Restricted	<u>28,532,733</u>	
<i>Net Cash - Citywide (including restricted) @ 10/8/2012</i>		\$ 14,552,811
City's Obligations:		
Unpaid City Obligations since 7/31/12:		
<u>Due Date</u>	<u>Obligation</u>	
7/25/2012	Pension Obligation Bonds - Bond Payment	(3,338,739)
7/31/2012	City lawsuits - litigation	(1,461,100)
7/31/2012	CalPERS/PARS - Payperiod ending 7/31	(1,066,504)
8/15/2012	CalPERS/PARS - Payperiod ending 8/15	(1,068,065)
8/31/2012	CalPERS/PARS - Payperiod ending 8/31	(1,040,500)
9/15/2012	CalPERS/PARS - Payperiod ending 9/15	(1,042,950)
9/30/2012	CalPERS/PARS - Payperiod ending 9/30	<u>(1,036,077)</u>
		(10,053,935)
New City Obligations 10/1/12 - 10/8/12:		
<u>Due Date</u>	<u>Obligation</u>	
10/8/2012	Cashouts to Separated Employees (unpaid)	(443,075)
10/8/2012	Sell Back Time (unpaid)	(185,994)
10/8/2012	Trade payables	<u>(8,150,364)</u>
		(8,779,433)
Estimated Net Cash Deficit (Citywide) on 10/8/2012 including City Obligations		\$ (4,280,557)
10/15/2012	Payroll - PPE 10/15/2012 (Fund on 10/12/2012)	(3,710,000)
10/15/2012	CalPERS/PARS - Payperiod ending 10/15	(1,035,000)
this week	Anticipated Receipts - 10/9 to 10/12	<u>1,100,000</u>
Adjusted Estimated Net Cash Deficit (Citywide) on 10/13/2012 including City Obligations		\$ (7,925,557)

* 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.

CITY OF SAN BERNARDINO
Estimated Cash balances as of 10/8/12 (unaudited)

FUND	10/8/2012		A	A	B	C	D
				GENERAL FUND	OTHER DISCRETIONARY	ASSIGNED COMMITTED	RESTRICTED
A	General Fund available						
B	Other Discretionary Funds						
C	Assigned/Committed by Council						
D	Legally Restricted (External or Charter)						
				CATEGORY SPREAD			
				AMOUNTS			
001	GENERAL FUND	A	(16,501,195)	(16,501,195)	0	0	0
004	OLD FIRE	D	(532,819)	0	0	0	(532,819)
105	LIBRARY FUND	D	(298,510)	0	0	0	(298,510)
106	CEMETERY FUND	D	14,146	0	0	0	14,146
108	ASSET FORFEITURE FUND	D	1,228,968	0	0	0	1,228,968
111	AB2744 AIR QUALITY - ALT TRANS	D	47,969	0	0	0	47,969
116	EMERGENCY SOLUTIONS GRANT	D	0	0	0	0	0
117	HOME IMPROVEMENT PART PROGRAM	D	(399,095)	0	0	0	(399,095)
118	GANG & DRUG ASSET FORFEITURE	D	127,752	0	0	0	127,752
119	CDBG	A	(605,128)	(605,128)	0	0	0
120	NEIGHBORHOOD STABILIZATION PROGRAM	D	(896,135)	0	0	0	(896,135)
121	SBETA	D	2,068,572	0	0	0	2,068,572
123	FEDERAL & STATE PROGRAM	D	(2,467,838)	0	0	0	(2,467,838)
124	ANIMAL CONTROL FUND	C	169,680	0	0	169,680	0
126	GAS TAX FUND	D	192,476	0	0	0	192,476
128	TRAFFIC SAFETY FUND	D	(738,130)	0	0	0	(738,130)
129	1/2 CENT SALES & ROAD	D	4,190,363	0	0	0	4,190,363
132	SEWER LINE MAINTENANCE	D	1,685,253	0	0	0	1,685,253
133	BASEBALL STADIUM	C	(55,792)	0	0	(55,792)	0
134	SOCCER FIELD	C	643,517	0	0	643,517	0
135	AB 2928 TRAFFIC CONGESTION	D	(33,597)	0	0	0	(33,597)
137	CFD 1033 - FIRE STATION	D	333,300	0	0	0	333,300
208	VERDEMONT CAPITAL PROJECT	C	248,608	0	0	248,608	0
211	FIRE EQUIP ACQUISITION	C	95,971	0	0	95,971	0
240	CIEDB STREET CONSTRUCTION	C	(9,049)	0	0	(9,049)	0
241	PARK EXTENSION FUND	C	4,519	0	0	4,519	0
242	STREET CONSTRUCTION FUND	C	(1,366,153)	0	0	(1,366,153)	0
243	PARK CONSTRUCTION FUND	C	268,825	0	0	268,825	0
244	CEMETERY CONSTRUCTION	D	52,519	0	0	0	52,519
245	SEWER LINE CONSTRUCTION	C	2,255,086	0	0	2,255,086	0
246	PUBLIC IMPROVEMENT FUND	C	1,079,024	0	0	1,079,024	0
247	CULTURAL DEVELOPMENT CONSTRUCTION	C	484,837	0	0	484,837	0
248	STORM DRAIN CONSTRUCTION	C	2,754,600	0	0	2,754,600	0
250	TRAFFIC SYSTEMS CONSTRUCTION	B	(10,750)	0	(10,750)	0	0
251	SPECIAL ASSESSMENTS FUND	D	(2,025,723)	0	0	0	(2,025,723)
254	ASSESSMENT DISTRICT FUND	D	1,992,034	0	0	0	1,992,034
256	ASSESSMENT DISTRICT 1015	D	33,779	0	0	0	33,779
257	STREET LIGHTING/SWEEPING	D	226	0	0	0	226
258	PROP 1B - LOCAL STREET	D	2,353,706	0	0	0	2,353,706
261	LAW ENFORCEMENT FACILITY	D	87,250	0	0	0	87,250
262	FIRE SUPPRESSION/MEDIC	D	148,179	0	0	0	148,179
263	LOCAL REGIONAL CIRCULA	D	516,811	0	0	0	516,811
264	REGIONAL CIRCULATION S	D	6,106,117	0	0	0	6,106,117
265	LIBRARY FACILITIES	D	(9,998)	0	0	0	(9,998)
266	PUBLIC USE FACILITIES	D	379,297	0	0	0	379,297
267	AQUATICS FACILITIES	D	115,303	0	0	0	115,303
268	AB 1600 PARKLAND	D	1,529,897	0	0	0	1,529,897
269	QUIMBY ACT PARKLAND	D	241,344	0	0	0	241,344
305	AD#985 DEBT SERVICE FUND	D	68,457	0	0	0	68,457
306	AD#987 DEBT SERVICE FUND	D	19,020	0	0	0	19,020
356	AD939 NEW PINE DEBT	D	25,474	0	0	0	25,474
527	INTEGRATED WASTE MANAGEMENT	B	2,102,018	0	0	0	2,102,018
621	CENTRAL SERVICES FUND	B	(98,739)	0	(98,739)	0	0
629	LIABILITY INSURANCE FUND	B	482,979	0	482,979	0	0
630	TELEPHONE SUPPORT FUND	B	106,242	0	106,242	0	0
631	UTILITY FUND	B	(921,929)	0	(921,929)	0	0
635	FLEET SERVICES FUND	B	(1,803,104)	0	(1,803,104)	0	0
677	UNEMPLOYMENT INSURANCE	B	(95,418)	0	(95,418)	0	0
678	WORKERS COMPENSATION FUND	B	(1,576,479)	0	(1,576,479)	0	0
679	INFORMATION TECHNOLOGY	B	469,926	0	469,926	0	0
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

<u>FUND</u>		<u>10/8/2012</u>	<u>GENERAL FUND</u>	<u>OTHER DISCRETIONARY</u>	<u>ASSIGNED COMMITTED</u>	<u>RESTRICTED</u>
A	General Fund available					
B	Other Discretionary Funds					
C	Assigned/Committed by Council					
D	Legally Restricted (External or Charter)					
		AMOUNTS	CATEGORY SPREAD			
758	AD906 TRUST & AGENCY	D 57,687	0	0	0	57,687
772	SPECIAL DEPOSITS FUND	D 4,361,349	0	0	0	4,361,349
775	CEMETERY PERPETUAL CARE	D 206,426	0	0	0	206,426
784	PAYROLL TRUST FUND	D 5,190,424	0	0	0	5,190,424
TOTAL		\$ 14,552,811 *	(17,106,323)	(3,447,273)	6,573,673	28,532,733

SUMMARY		
General Fund	A	\$ (17,106,323)
Discretionary Funds (General Fund eligible)	B	(3,447,273)
Board assigned/committed	C	6,573,673
Restricted - Prop 218 Funds	D	962,715
Restricted	D	27,570,018
TOTAL		\$ 14,552,811

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