



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: January 7, 2013

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 \$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 Council 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 – January 7, 2013

On January 7, 2013, the General Fund has a negative cash balance of **(\$18,730,274)** as shown on page 5. Furthermore, the citywide overall cash balance (including general, discretionary, assigned, committed and restricted funds) was \$20,757,348 (page 4). This positive cash amount is misleading because it is primarily due to the deferral of currently due obligations including payments due to bond holders, a portion of amounts due to CalPERS, trade payables, prior litigation costs, and employee leave bank cashouts.

As also shown on page 4, the citywide net cash deficit, if all obligations due were paid as of January 15, 2013, is a negative **(\$8,994,243)**. This means that the City does not have enough cash in all of its funds, including the restricted funds, to pay its current obligations. The deferral of obligations 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, the City would have run out of cash at the September 15th payroll if these deferrals had not occurred.

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 Council restrictions, but instead are used as tracking mechanisms for certain revenues and expenses.
- C. **Council Assigned/Committed Funds** represent funds that the Council 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
Estimated Cash balances as of 1/7/2013 (unaudited)

FUND	1/7/2013	A	B	C	D				
						GENERAL FUND	OTHER DISCRETIONARY	ASSIGNED COMMITTED	RESTRICTED
		AMOUNTS		CATEGORY SPREAD					
A	General Fund available								
B	Other Discretionary Funds								
C	Assigned/Committed by Council								
D	Legally Restricted (External or Charter)								
001	GENERAL FUND	A	(18,730,274)	(18,730,274)	0	0	0	0	0
004	OLD FIRE	D	(532,819)	0	0	0	0	(532,819)	
105	LIBRARY FUND	D	(690,991)	0	0	0	0	(690,991)	
106	CEMETERY FUND	D	1,608	0	0	0	0	1,608	
108	ASSET FORFEITURE FUND	D	1,133,159	0	0	0	0	1,133,159	
111	AB2744 AIR QUALITY - ALT TRANS	D	90,603	0	0	0	0	90,603	
116	EMERGENCY SOLUTIONS GRANT	D	(20,735)	0	0	0	0	(20,735)	
117	HOME IMPROVEMENT PART PROGRAM	D	(420,878)	0	0	0	0	(420,878)	
118	GANG & DRUG ASSET FORFEITURE	D	128,462	0	0	0	0	128,462	
119	CDBG	D	(1,022,800)	0	0	0	0	(1,022,800)	
120	NEIGHBORHOOD STABILIZATION PROGRAM	D	(921,733)	0	0	0	0	(921,733)	
121	SBETA	D	1,744,259	0	0	0	0	1,744,259	
123	FEDERAL & STATE PROGRAM	D	(2,385,526)	0	0	0	0	(2,385,526)	
124	ANIMAL CONTROL FUND	C	176,043	0	0	176,043	0	0	
126	GAS TAX FUND	D	1,097,805	0	0	0	0	1,097,805	
128	TRAFFIC SAFETY FUND	D	(475,129)	0	0	0	0	(475,129)	
129	1/2 CENT SALES & ROAD	D	4,918,238	0	0	0	0	4,918,238	
132	SEWER LINE MAINTENANCE	D	2,222,825	0	0	0	0	2,222,825	
133	BASEBALL STADIUM	C	0	0	0	0	0	0	
134	SOCCER FIELD	C	413,959	0	0	413,959	0	0	
135	AB 2928 TRAFFIC CONGESTION	D	(1,694)	0	0	0	0	(1,694)	
137	CFD 1033 - FIRE STATION	D	265,572	0	0	0	0	265,572	
208	VERDEMONT CAPITAL PROJECT	C	245,781	0	0	245,781	0	0	
211	FIRE EQUIP ACQUISITION	C	95,971	0	0	95,971	0	0	
240	CIEDB STREET CONSTRUCTION	C	0	0	0	0	0	0	
241	PARK EXTENSION FUND	C	4,519	0	0	4,519	0	0	
242	STREET CONSTRUCTION FUND	C	(1,709,885)	0	0	(1,709,885)	0	0	
243	PARK CONSTRUCTION FUND	C	167,515	0	0	167,515	0	0	
244	CEMETERY CONSTRUCTION	D	52,519	0	0	0	0	52,519	
245	SEWER LINE CONSTRUCTION	C	2,379,838	0	0	2,379,838	0	0	
246	PUBLIC IMPROVEMENT FUND	C	1,079,024	0	0	1,079,024	0	0	
247	CULTURAL DEVELOPMENT CONSTRUCTION	C	584,698	0	0	584,698	0	0	
248	STORM DRAIN CONSTRUCTION	C	2,938,766	0	0	2,938,766	0	0	
250	TRAFFIC SYSTEMS CONSTRUCTION	B	0	0	0	0	0	0	
251	SPECIAL ASSESSMENTS FUND	D	7,669	0	0	0	0	7,669	
254	ASSESSMENT DISTRICT FUND	D	338,167	0	0	0	0	338,167	
256	ASSESSMENT DISTRICT 1015	D	33,779	0	0	0	0	33,779	
257	STREET LIGHTING/SWEEPING	D	226	0	0	0	0	226	
258	PROP 1B - LOCAL STREET	D	2,302,345	0	0	0	0	2,302,345	
261	LAW ENFORCEMENT FACILITY	D	129,126	0	0	0	0	129,126	
262	FIRE SUPPRESSION/MEDIC	D	193,591	0	0	0	0	193,591	
263	LOCAL REGIONAL CIRCULA	D	609,313	0	0	0	0	609,313	
264	REGIONAL CIRCULATION S	D	6,411,056	0	0	0	0	6,411,056	
265	LIBRARY FACILITIES	D	786	0	0	0	0	786	
266	PUBLIC USE FACILITIES	D	379,297	0	0	0	0	379,297	
267	AQUATICS FACILITIES	D	115,303	0	0	0	0	115,303	
268	AB 1600 PARKLAND	D	1,456,056	0	0	0	0	1,456,056	
269	QUIMBY ACT PARKLAND	D	241,344	0	0	0	0	241,344	
305	AD#985 DEBT SERVICE FUND	D	68,457	0	0	0	0	68,457	
306	AD#987 DEBT SERVICE FUND	D	19,093	0	0	0	0	19,093	
356	AD939 NEW PINE DEBT	D	57,657	0	0	0	0	57,657	
527	INTEGRATED WASTE MANAGEMENT	D	6,322,167	0	0	0	0	6,322,167	
621	CENTRAL SERVICES FUND	B	(106,830)	0	(106,830)	0	0	0	
629	LIABILITY INSURANCE FUND	B	421,442	0	421,442	0	0	0	
630	TELEPHONE SUPPORT FUND	B	(63,218)	0	(63,218)	0	0	0	
631	UTILITY FUND	B	(1,983,201)	0	(1,983,201)	0	0	0	
635	FLEET SERVICES FUND	B	(3,135,798)	0	(3,135,798)	0	0	0	
677	UNEMPLOYMENT INSURANCE	B	(97,957)	0	(97,957)	0	0	0	
678	WORKERS COMPENSATION FUND	B	(2,511,933)	0	(2,511,933)	0	0	0	
679	INFORMATION TECHNOLOGY	B	(611,328)	0	(611,328)	0	0	0	
701	AD 961 TRUST AND AGENCY	D	369,598	0	0	0	0	369,598	
703	AD977A TRUST & AGENCY	D	63,048	0	0	0	0	63,048	

<u>FUND</u>		<u>1/7/2013</u>	GENERAL FUND	OTHER DISCRETION ARY	ASSIGNED COMMITTED	RESTRICTED
A	General Fund available					
B	Other Discretionary Funds					
C	Assigned/Committed by Council					
D	Legally Restricted (External or Charter)					
		AMOUNTS	CATEGORY SPREAD			
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 4,794,835	0	0	0	4,794,835
775	CEMETERY PERPETUAL CARE	D 206,426	0	0	0	206,426
784	PAYROLL TRUST FUND	D 11,813,728	0	0	0	11,813,728
TOTAL		20,557,518	(18,730,274)	(8,088,824)	6,376,229	41,200,218

SUMMARY	
General Fund	A \$ (18,730,274)
Discretionary Funds (General Fund eligible)	B (8,088,824)
Board assigned/committed	C 6,376,229
Restricted - Prop 218 Funds	D 1,307,670
Restricted	D 39,892,548
TOTAL	\$ 20,757,348

* 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.