

CITY OF SAN BERNARDINO

Bankruptcy Update &
Public Input Session



Municipal Solvency Requirements

Budget Solvency – Revenues equal to or greater than expenditures (Spending Plan)

Cash Solvency – The ability to pay the bills with cash on hand (Liquidity)

Service Solvency – The ability to provide essential services to the community with existing revenues or adjust service levels

Long Term Solvency – The ability of the City to meet its long term commitments

IMPLEMENTING THE PENDENCY PLAN

Progress Has Been Made

Revised Budget Plan for FY 2013-14 Based on Adopted Pendency Plan and Council Approved Budget Amendments

- Revenues against Budgeted Expenses are Balanced
- Deferrals Not Included in FY 13-14 Budget

Total Cash on Hand Has Increased to \$36 Million

- Liquidity Has Significantly Improved Due to Deferrals of \$30 + million and cuts made in the Pre-Pendency and Pendency Plan

10-year Forecast In Draft Form

- Staff has indentified \$200 Million in Capital Maintenance Backlog
- Staff is Able to Identify Cost Drivers

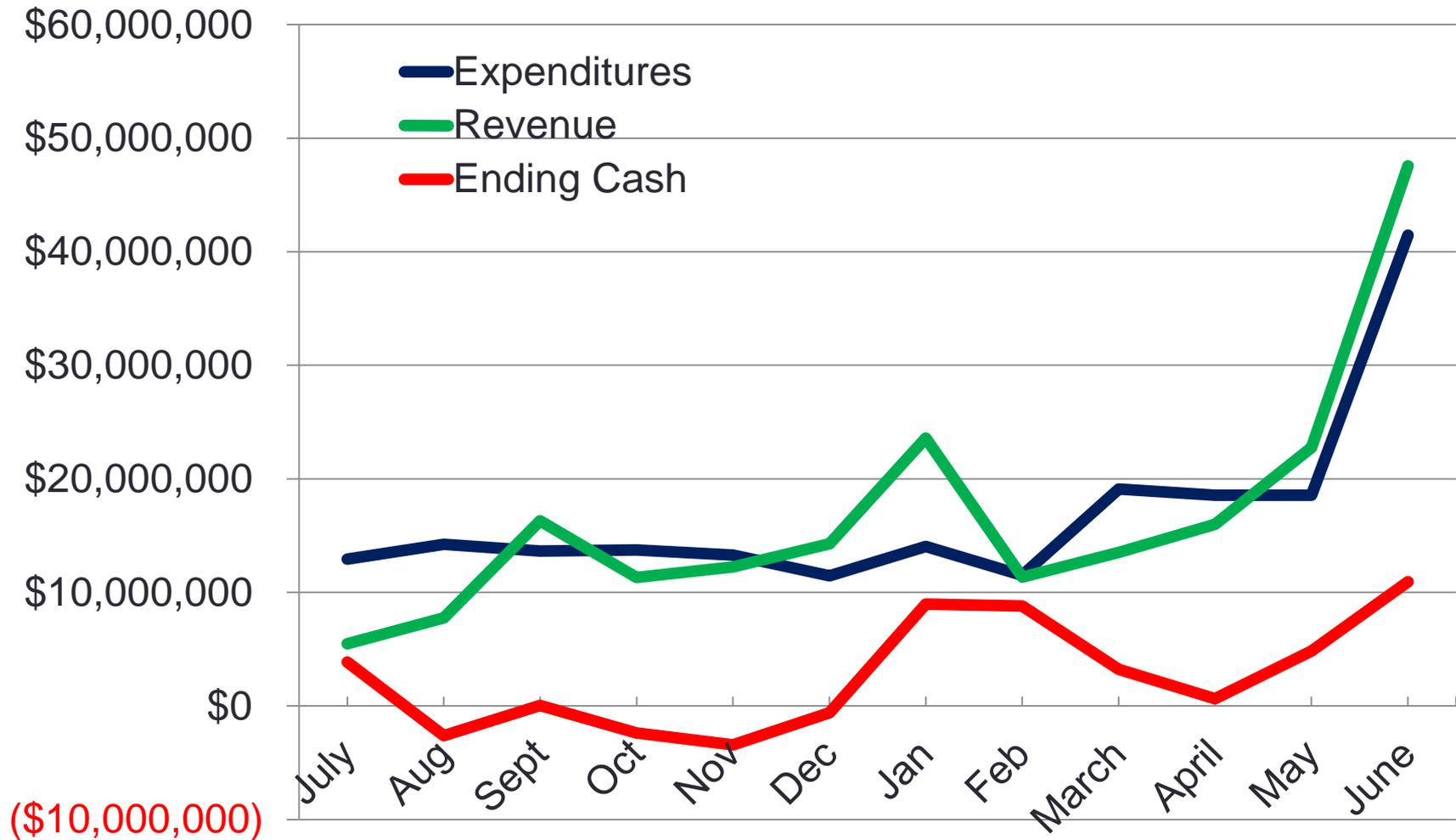
What is Being Deferred?

<u>Deferred Obligations</u>	<u>Amounts</u>
• PERS*	\$13.5M
• PARS	\$500K
• Trade Payables	\$3.2M
• Pension Bonds	\$6.6M
• Litigation	\$3.5M

* General Fund Employer Share Only (FY 12-13)

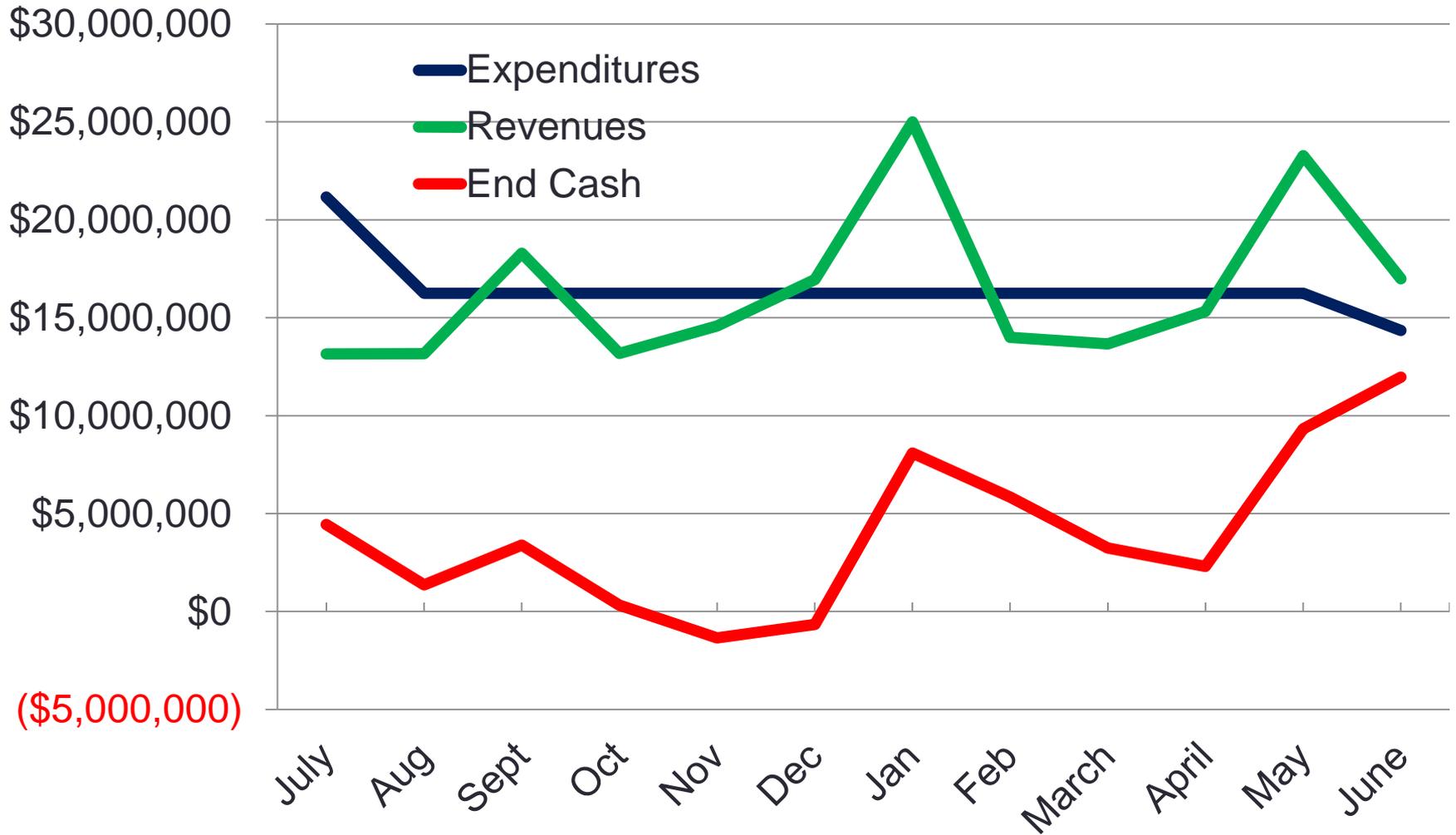
Impact of the Deferrals on Cash Flow

All Funds FY 12-13

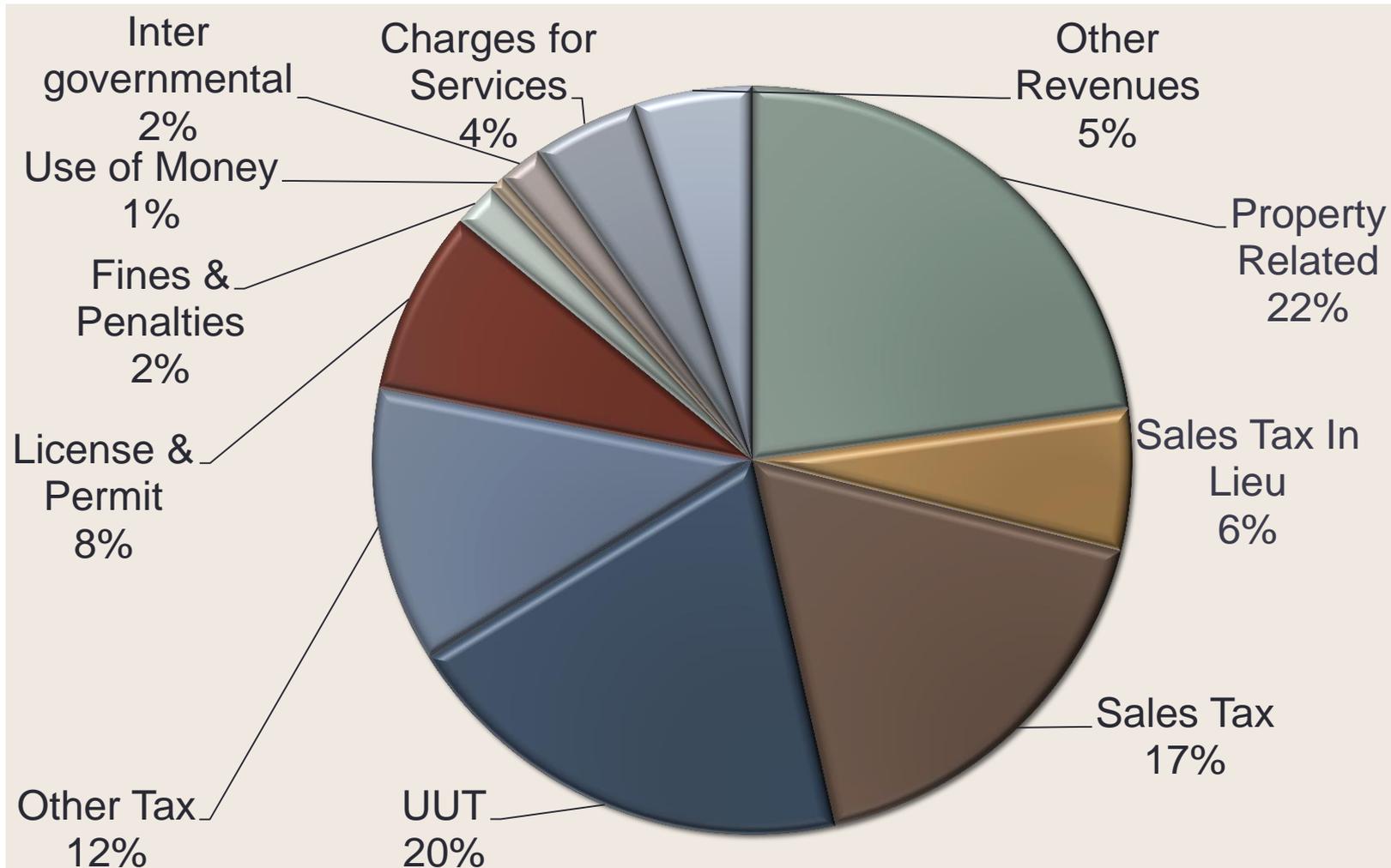


Impact of the Deferrals on Cash Flow

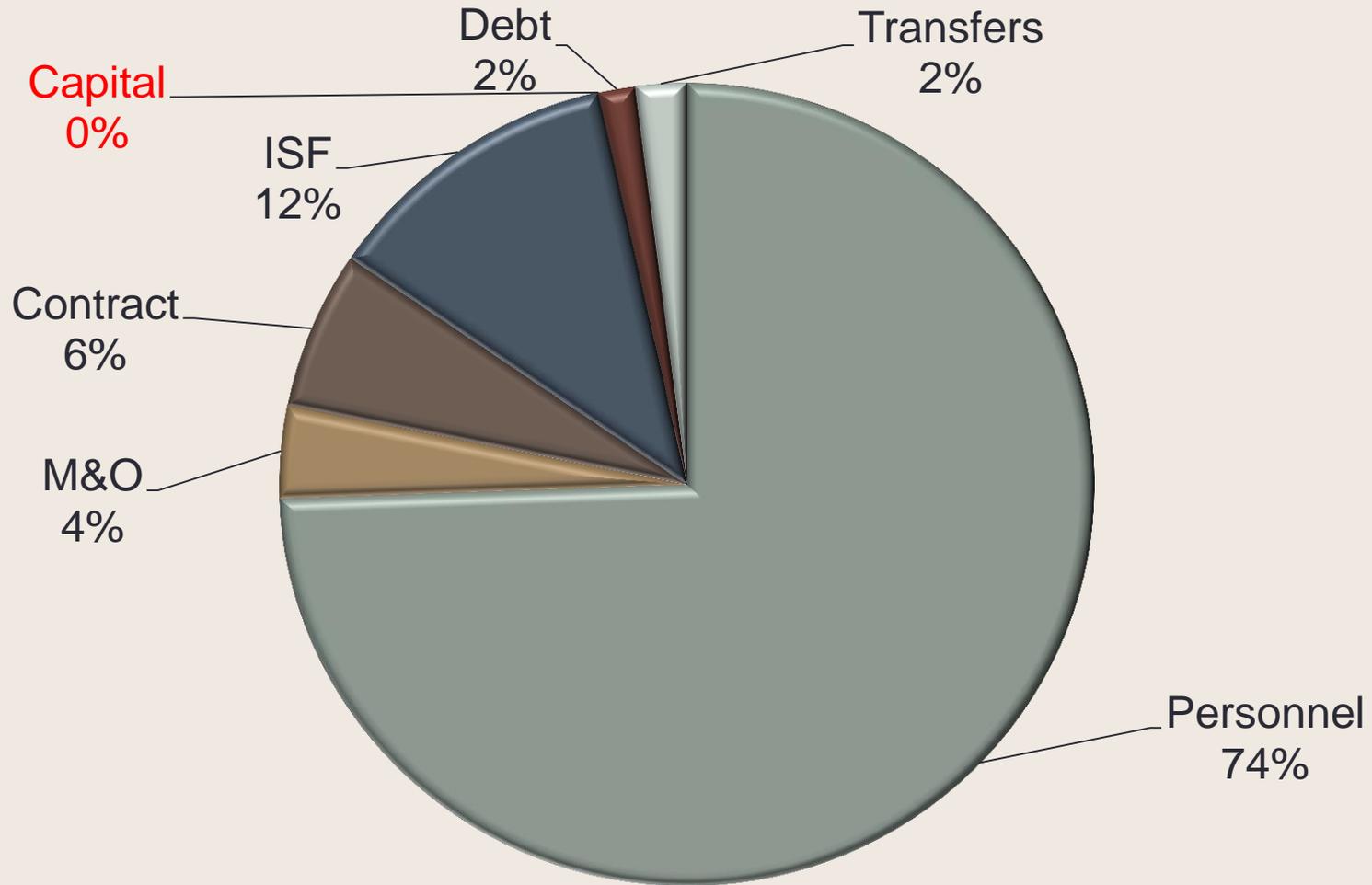
All Funds FY 13-14



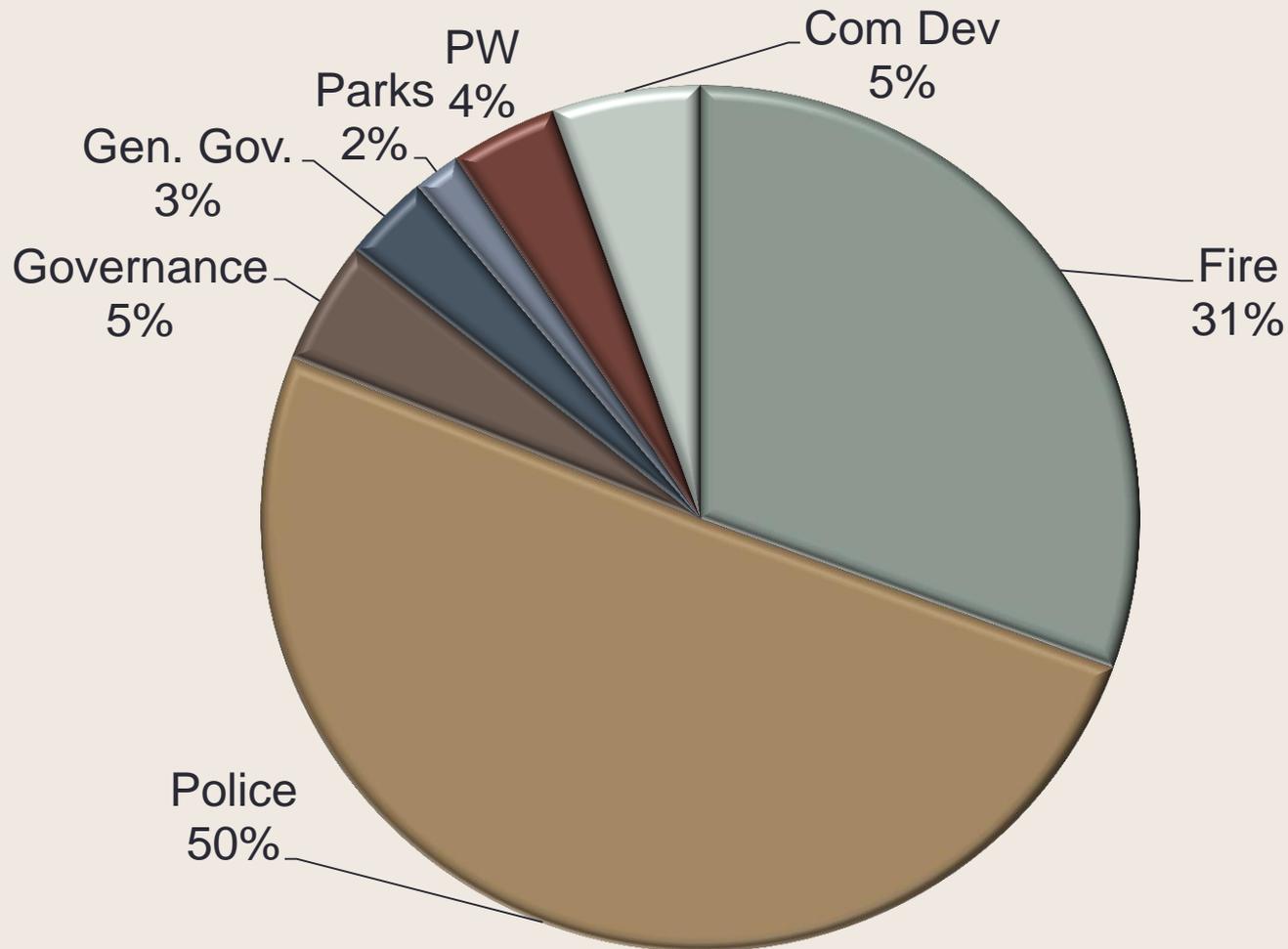
Pendency Plan General Fund Revenues



Pendency Plan General Fund Expenditures



Pendency Plan Personnel Costs



BEYOND THE PENDENCY PLAN

Significant Budget Drivers

Compensation/Benefit Costs

- Charter 186 costs (Forecast Growth of 2% Annually)
- Forecasted Retirement Costs (Estimated to Double in 10 Years)

Funding Staffing Costs When Grants Are Completed

- Public Safety Grants Equal \$4 Million Annually
- Other Grants (CDBG, HOME, ETC)

Forecasted General Fund Revenues are Outpaced by Expenses

- 14% vs 23% from FY 2013-14 through FY 2012-22

Funding of Unbudgeted Obligations

- Deferred Obligations Identified in the Pendency Plan
- Other Deferred Obligations (Capital)
- Designed Reserves

Other Types of Deferred Obligations?

Capital Maintenance Backlog

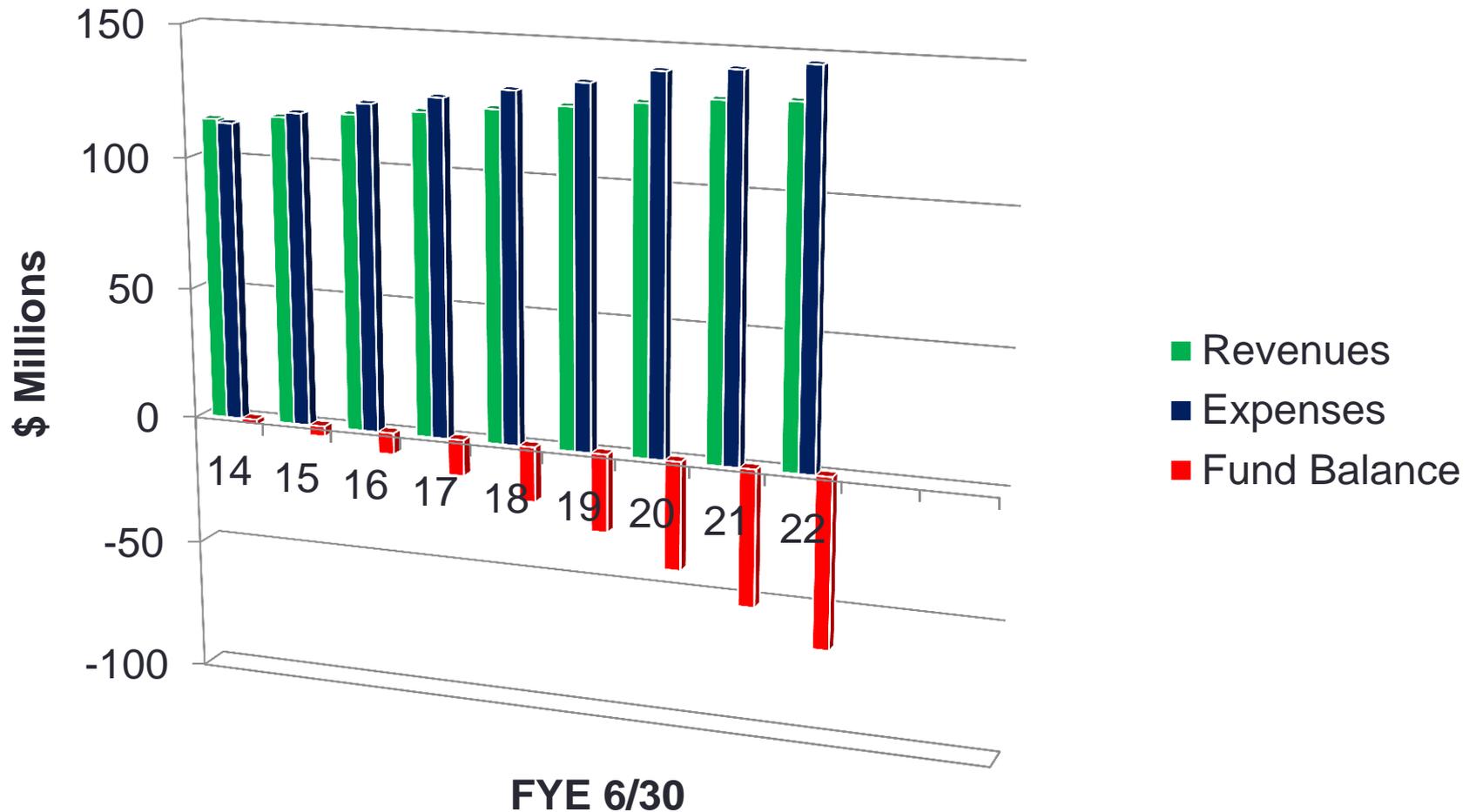
• Parks	\$77.3 Million
• Public Buildings	\$13.4 Million
• Street Network	\$88.5 Million
• Fleet	\$18.3 Million
• Misc.	<u>\$3.5 Million</u>
Totals:	\$201 Million

Designated Reserves

• Operating Capital / Economic Uncertainty	\$13.5 - \$27 Million
• Comprehensive Leave Obligations	\$2.1 Million
• Workers' Comp / General Liability	\$3 Million

Assuming a 10 Year Amortization, Funding Capital Maintenance Backlog & Designated Reserves adds \$22 Million Annually to the Bottom Line

General Fund Forecasting Trends



Questions To Be Answered

How Do We Pay For Deferred Obligations?

How Do We Fund Designated Reserves?

How Do We Improve the Ratio of Revenue to Expenses?

How Will the City Deliver Services More Efficiently?