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CITY OF SAN BERNARDINO
CITY MANAGER'S OFFICE

SUBJECT: San Bernardino Updated Recovery Plan

DATE: November 25, 2015

Summary

On May 18, 2015, the Common Council adopted a Recovery Plan in support of the City's Plan of Adjustment for exiting bankruptcy which was subsequently filed with the bankruptcy court at the end of that month. The Recovery Plan rested on four key areas of change and improvement by the City, all aimed at improving the fiscal position of the organization. These four key areas were as follows:

a. Efficiency improvements – largely regionalizing or contracting for services
b. Debt and Other Post-Employment Benefits (OPEB) restructuring
c. New revenue and tax increases / extensions
d. Organizational improvements

Since May, the City has worked diligently to implement components of the Plan. Table 1 below provides a summary of where the City currently stands with respect to the major elements of the Plan. This table is based on Table 1, Cost Savings and Revenue Enhancement Actions and Estimates (General Fund) set forth in the May Recovery Plan. The updated table shows each opportunity area, the estimated economic benefit, a summary of actions taken towards implementation and the currently anticipated economic benefit either realized or planned. Implementation is complete or underway on all actions targeted for 2015. In addition implementation of several elements targeted for 2016 is already underway.

Table 1. Update on Major Cost Saving and Revenue Enhancement Actions and Estimates (General Fund)

Cost Savings and Revenue Opportunities	Estimated Ongoing (Annual) Savings	Status
Efficiency Improvements		
Regionalize or contract fire and EMS services	$7,000,000 – 10,000,000	Common Council adopted resolution authorizing annexation into San Bernardino

Cost Savings and Revenue Opportunities	Estimated Ongoing (Annual) Savings	Status
		County Fire Department. Annexation application has been filed with LAFCO and accepted. County Fire financial projection and Urban Futures projection of sustainable City costs shows net economic benefit to City of $9.9M in FY 16-17
Contract business license administration	$650,000 to $900,000	Draft functional organizational assessment recommending moving function to Finance under review. RFP should move forward in 2016.
Contract fleet maintenance	$400,000	Pending - 2016
Contract soccer complex management and maintenance	$240,000 to $320,000	The City has contracted for the operation of the complex by a private vendor effective October 1, 2015. Annual savings estimated at $300,000
Contract custodial maintenance	$150,000	Pending - 2016
Contract graffiti abatement	$132,600	Pending - 2016
Implement other efficiency improvements	$1,000,000 or more	Right of way maintenance and street-sweeping being implemented with solid waste contracting
Health care savings (retirees)	$370,000 annually (the value of these eliminated benefits as of June 30, 2015 is estimated at $48.1 million when discounted using 4% interest (the actuarial accrued liability) to $97 million in total dollars where there is no discounting of future payments)	Implemented and documented
Debt Restructuring		
General Secured Bond Obligations	$1,100,000	Agreement has reached; documentation underway
General Unsecured Bond Obligations – Pension Obligation Bonds	Obligation totals approximately $51M, with final payment due in 2036	In active mediation with creditor.

Cost Savings and Revenue Opportunities	Estimated Ongoing (Annual) Savings	Status
Restructuring of other creditor obligations	Up to $4.3M	Tentative agreement reached with holder of $527,490 lease purchase obligation
New Fee Revenue and Tax Adjustments		
Seek reauthorization of the Measure Z sales tax in 2021 (requires voter approval)	$8,300,000	Pending – 2021. Police resources plan for rebuilding police capacity and improving public safety adopted by City Council in November.
Perform a transient occupancy tax (TOT) audit	$200,000	Pending - 2016
Collect new waste management franchise fee (once service has been contracted)	$5,000,000 (one-time)	Negotiating final agreement with recommended vendor. Will meet or exceed Recovery Plan revenue projection
Increase waste management franchise fee	$2,800,000	Negotiating final agreement with recommended vendor. Will meet or exceed Recovery Plan revenue projection
Implement water/sewer utilities franchise fee	$1,050,000	Completed. New agreement adopted by City and Water Department
Update master fees and charges schedule	$200,000	Pending - 2016
Implement program for collecting street sweeping parking violations	$200,000	Will be done in conjunction with move to private vendor – early 2016

Organizational Improvements	Ongoing Costs	Implementation Schedule
Implement compensation adjustments for all City employees	$400,000 and growing (2% adjustment for non-safety employees)	Agreements have been reached with all employee bargaining groups except fire
Provide resources to Charter Task Force and schedule election to consider revised Charter	$150,000 (one time cost)	A new draft charter is under development; public meetings continuing. Charter Committee to provide recommendations to Council in April; anticipate consideration at November 2016 election
Implement strategic planning initiatives	$2,500,000 to $10,000,000 depending on timing and ability to fund	Have completed Police Five Year Resources Plan which calls for additional investment of from $6.7M to $13.3M in annual funding over next five years starting in July 2016.
Rebuild corporate support functions	$1,000,000 with a one-time cost of $650,000	Draft functional organizational assessments for Finance, Human Resource and Information Technology are under review

This Updated Recovery plan provides additional information on the status of implementation in subsequent sections. The City's intent is to demonstrate in a specific and transparent fashion how the Plan is progressing and to answer questions raised by the Court and creditors. This document also sets forth a revised Long Range Financial Plan (LRFP) which the City believes shows our Plan is feasible and confirmable.

The document also provides additional information regarding the following issues raised by the Court:

- The need for reserves and the importance of achieving a 15% level for a City such as San Bernardino
- The City approach in the LRFP to revenue projections
- An explanation of restricted and unrestricted funds focusing on why unrestricted funds cannot be used for General Fund purposes
- Additional tax and revenue options to the City and the practical difficulty of raising additional General Fund tax proceeds in the California local government environment
- Planning for the extension of Measure Z
- The potential for liquidation of non-essential assets, and the potential for Successor Agency proceeds to flow to the City or creditors
- The need for the City to become and remain a viable employer and the importance of the CalPERS defined benefit plan in this context

In addition, the creditors also raised some general concerns which the City addresses in this Updated Recovery Plan. The two primary issues were that the City had not:

- Sufficiently explained proposed expenditure levels
  - *a.* EEPK commented that the City had not *"provided sufficient information for creditors to evaluate whether the proposed expenditures contemplated by the Plan are appropriate or whether the City is controlling costs to the greatest extent possible"*
  - *b.* Ambac commented that the City should *"substantiate the amount of projected funding needs with both specificity and supporting information"*

- Demonstrated the actual necessity of proposed capital improvements and maintenance:
  - a. EEPK commented that the *"City had failed to provide analysis demonstrating the actual necessity of the proposed capital improvements and what less costly alternatives to the proposed capital improvements were considered by the City and why they were rejected"*.
  - b. Ambac questioned the *"City's plan to spend $55 million on streets and roads"*

In the Updated Recovery Plan, after careful study of its largest cost drivers, the City provides further information regarding both operational costs and capital improvements. On the operational side the largest expense driver is police. Considerable work has been accomplished to generate a Five Year Police Resourcing Plan, which the City Council has adopted and which the City is committed to implementing to the greatest extent possible. This Updated recovery plan presents the Police Resources Plan in some detail so that creditors can see that proposed expenditures in this critical area are indeed appropriate and substantiated.

The Updated Recovery Plan also provides a significant detail on capital improvements, including the basis for all estimates and the sources of funding. Unfortunately the City has been in decline, literally for decades, and deferred capital investment and maintenance have been the main coping strategy for much of this time. The City has provided more detail in these areas, but the reality is that the City needs to ramp up expenditures to rectify the decades of decline.

The Updated Recovery Plan is organized as follows.

A. ***Restructuring of Operations -*** This section presents an update on restructuring of operations to become more efficient and to take advantage of municipal best practices. This is probably the largest category where the City must improve and in a word, modernize.

B. ***Becoming a Viable Employer -*** This section discusses the critical need for the City to become a viable employer. It is critical that the need to be able to recruit and retain qualified personnel be appreciated by the creditors and other involved parties. The City simply has not been able to meet this requirement for some time, and as our discussion shows would not be able to become or remain a viable municipal employer without continued participation in CalPERS.

C. ***Asset Management –*** This section addresses the status of infrastructure management and capital improvement plans. It also includes documentation on City facilities and property and discusses the degree to which non-essential facilities and property are owned by the City and the potential for liquidation. Finally this section covers the wind-down of the Redevelopment Agency and the issue of Successor Agency proceeds.

D. ***Debt Restructuring -*** The Updated Recovery Plan discusses debt restructuring efforts. Agreements reached with secured creditors are documented. The status of unsecured debt and negotiations with respect to potential settlement are also reviewed in this section

E. ***Long Range Financial Model -*** The next discussion element is the Long Range Financial Model. This section covers updates since the Plan was filed in May. It also addresses the need for reserves and the 15% objective included in the model. The section also includes a full discussion or restricted and unrestricted funds, revenue projections other tax revenue opportunities and how infrastructure maintenance is costed in the model.

F. ***Risks and Feasibility -*** The Updated Recovery Plan closes with a discussion of the risks to the Plan, and an explanation of why the Plan is feasible and should be confirmed.

A. Restructuring of Operations

The following provides an update on the restructuring of municipal operations and implementation of municipal best practices to begin to position the City for effective and efficient service delivery.

Regionalizing Fire Service

The Mayor and Common Council on August 24, 2015 approved an application to the Local Agency Commission for San Bernardino County (LAFCO) for annexation into the San Bernardino County Fire Protection District (County Fire). County Fire is a proven and professional provider of the full range of fire and emergency medical services. The District currently operates 56 fire stations, serving unincorporated San Bernardino County and 7 incorporated cities (including the City of Fontana). It has a total of approximately 865 employees of which 642 are sworn firefighters.

Many cities comparable to San Bernardino are served by large regional fire service providers. Examples in Southern California include Moreno Valley, Fontana, Santa Ana, Lancaster, Palmdale, Santa Clarita, Pomona, Irvine and Thousand Oaks. It is a proven way to reduce costs through economies of scale, while delivering a level of service which would be otherwise not attainable.

Such is the case for San Bernardino. By annexing to County Fire, the City will be able to take advantage of two existing County Fire stations to serve portions of the City and pool costs for a large number of administrative, support and specialized services such as management, dispatch, purchasing, fire prevention, EMS management, hazardous materials response, search and rescue and wildland fire response.

<u>Steps toward annexation</u>

The Mayor and Common Council concluded that the County Fire approach is the best option from an economic and service perspective for San Bernardino residents. On August 24, they adopted a resolution approving initiation of the annexation process as well as an interim contracting approach. The resolution approving the initiation of the annexation process also included a request to annex into the Valley Regional Service Zone and Service Zone FP-5. A request to amend County Fire’s sphere of influence to include the City was also approved. On September 15, 2015, the San Bernardino County Board of Supervisors acting as the governing body for County Fire adopted a substantially similar resolution to the City's making the annexation application a joint request from the City and County Fire.

The San Local Agency Formation Commission for San Bernardino County (LAFCO) subsequently opened two proposals for governmental reorganization, LAFCO 3198 – reorganization to include annexation into the SBCFPD, its Valley Service Zone and Service Zone FP-5; and LAFCO 3197 – sphere of influence amendments (expansion) for the SBCFPD. Subsequent to the LAFCO action, the City, as well as several County agencies (Assessor, Registrar of Voters and Surveyor) provided information necessary to support the reorganization proposal and the sphere amendment. On October 15th, LAFCO held the Departmental Review Committee Meeting to review both proposals. Based on the meeting LAFCO issued a determinations letter on October 21st for both LAFCO 3197 and LAFCO 3198.

In response to the determinations letter, County Fire filed a revised Plan of Service and Five Year Financial Forecast on October 28, 2015. The Five Year Financial Forecast showed a City General Fund property tax transfer revenue requirement starting at $20.4M in 2016/17 increasing to $22.9M in 2020/21. In addition the City will be responsible for certain estimated City legacy costs, principally unfunded pension and workers compensation costs. These are estimated at approximately $2.6 million per year not including one-time debt service. From an economic standpoint this result is quite favorable to the City when measured against the financial projection prepared for the City by Urban Futures as part of the annexation analysis which showed City costs for a stand-alone fire department would have a general fund revenue requirement of from $32.9 to $36.7 annually over the same five year period. The reasons for the substantially reduced revenue requirement after annexation are special tax revenues associated with annexation to Service Zone FP-5 estimated at $7.3M annually (which can increase by up to 3% per year), and cost efficiencies associated with County Fire operations estimated at between $2M and $3M per year. (These estimates are currently being updated.)

Additionally, the Plan of Service makes clear that after annexation City residents will enjoy at a minimum the same level of service currently provided and will in all likelihood experience improved service. Improved service is expected to be generated from an improved dispatch system which has faster call processing time than is associated with the City dispatch system and from direct responses from two County Fire stations which are closer to some sections of the City than City responding stations.

On October 28th, County Fire also submitted a proposed interim service contract to the City. The annexation approach was presented with the potential for an interim contracting approach in order to implement an improved service delivery approach as soon as practicable. County Fire and City representatives met to consider the contract approach on November 3rd. At this meeting they determined that an interim contracting approach was not feasible, and that moving directly to the annexation with an effective date of July 1, 2016 was the approach the parties would take. This approach affords County Fire with increased certainty with respect to meeting revenue requirements via a property tax transfer, and reduces the City need for posting of cash deposits.

Annexation next steps
Completing the annexation in time for it to be effective in July 2016 is challenging. However, given the economic benefits to the City the effort necessary to meet the deadlines are worth it.

The next major actions in support of the annexation are summarized in Table 2.

Table 2. Major Next Steps in Annexation

Date	Action
December 14, 2015	Final complete LAFCO application, including plan for service, fiscal projections and transition plan
January 20, 2016	Review and approval by the Local Agency Formation Commission
January 20, 2016	Discussions for employee transition to begin
February 19, 2016	End of LAFCO required 30 day reconsideration period
February 22, 2016	Protest process begins (Commission has discretion for 21-60 days)
April 6, 2016	Protest process ends (assuming 45 day period)
April 11, 2016	Earliest possible certificate of completion date
April 18, 2016	Conditional job offers and formal employee transition
July 1, 2016	Annexation effective, County Fire District assumes service delivery

Franchising Solid Waste

California cities are increasingly contracting with the private sector for solid waste and recycling. Today the vast majority of cities in Southern California provide solid waste and recycling services under a franchise agreement with one or more private companies. This migration to private rather than public service provisions has been driven by several factors which revolve around the economies of scale available to private companies which serve numerous jurisdictions. These economies are found in several areas including capital acquisition, fleet maintenance, workers compensation, employee recruitment, safety and training programs, customer service / billing, technology and management. Recent examples include Hemet, which in 2011 contracted its solid waste service to CR&R; Newport Beach is another example, contracting its residential solid waste services (commercial had already been contracted) in 2013 (also to CR&R). Most cities in the inland Empire provide these services under contract.

With State recycling requirements that have been in place for over 25 years, refuse haulers have gradually expanded their businesses to include materials sorting, recycling, public education, and in some cases, street sweeping and other related services, working in partnership with individual cities and counties. In addition, the more sophisticated companies use specialized routing systems to reduce travel times and produce and closely monitor work measurements based on their experience. Given the expertise developed in multiple jurisdictions and by these waste companies, and the economies of scale that larger operations can provide, it is likely that contracting these services to a private company will result in lower or similar costs to provide the service, increased franchise fees, along with fees for an exclusive agreement to the General Fund.

In June, 2015 the City sent out a Request for Proposals to contract three of its largest maintenance services – solid waste and recycling, street sweeping and right-of-way cleanup. These services are currently performed by 100 staff members in the City's Public Works Department. Four companies, all of which are active in solid waste collection and street sweeping in the Southern California area, submitted proposals.

An evaluation team of consultants with experience in contracting and solid waste evaluated the companies' financial statements, reviewed the technical, financial proposals and references; and provided a recommendation to the City Manager.

A recommendation was sent to the Common Council on November 16, 2015. The Council decided on an agreement with Burrtec and directed staff to negotiate a ten-year agreement.

The City is starting negotiations with Burrtec which are expected to be completed within 60 days. As a result of contracting, the City will be able to offer the same/better level of services that the staff currently provides. In addition, the City expects to receive:

- A one-time franchise fee payment of $5 million within 60 days of execution of an agreement
- Franchise fees (above current levels) of $2.8 million per year
- Added franchise payments of $4,500,000 over the ten-year period
- Net revenue from the sale of refuse vehicles, carts, bins, and containers of $9,454,000 after vehicle leases are paid.

These monies are scheduled to become general fund revenues which can be allocated for other city priorities.

Other Contracting and Efficiency Initiatives

In addition to annexation into the Fire District and franchising of solid waste the City is pursuing a number of other reorganization / contracting approaches.

Already implemented is a contract to operate the Soccer Complex. The Elmore Sports Group took over operations on November 16, 2015. Under the agreement the City expects a net gain of approximately $300,000 per year in base operations. This will come from the contractor participating in capital improvement costs and improved marketing of the facility, which will result in additional revenues which benefit the City. Because of the City's economic situation basic maintenance and capital replacement funding had been inadequate and this led to a decrease in utilization of the facility. Contracting creates a satisfactory maintenance and capital replacement platform, which along with proper marketing will position the complex for fiscal solvency and thereby improve the City's position.

Underway are efforts to contract for business license administration, fleet maintenance, custodial services, graffiti abatement and some information technology functions. The City is preparing RFPs and implementing an analysis of each option. As demonstrated with the solid waste franchising and the soccer complex contracting approaches which have been implemented, using industry best practices and actual experience in other jurisdictions, the City is able to derive reasonable estimates of potential savings and realistic contract standards for effective service delivery. The implementation schedule calls for approval of these other contracting approaches generally in early 2016.

Utilities Franchise Fee Revisions

Following the City's plans to restructure for service delivery efficiencies, it was necessary to create a new cost allocation strategy which allowed the City to recover costs associated with general administrative and public safety services as well as facilities owed by the City and utilized by the utility, such as City owned right-of-way. This Proposition 218 allowable cost allocation provides the City an equitable return for services while allowing for the City to continue receiving cost allocation fees from the City's utilities throughout the term of the fiscal model. Implementing this strategy will ensure the City an increasing cost allocation return for services as the City's cost for general administration, public safety and right-of-way maintenance increase during the term of the model. Specifically, the financial forecast assumes transfers into the General Fund from the water, sewer treatment and sewer collection of $3,971,151 in FY 2015-16 growing to $6,861,987 in FY 2033-34.

City Hall Seismic Retrofit

In July 2015, the City issued a Request for Qualifications (RFQ) to architects and large contractors who have successfully completed large-scale seismic retrofits for municipalities, universities and other public entities while maintaining the design integrity of their buildings. The City received statements of qualifications and project estimates from five firms. Following a review of the proposals received, the IDS Group was selected to perform the work.

The work requested consists of performing a detailed analysis to pinpoint the problem areas and to recommend a retrofit strategy, identify additional professional assistance that will be required for implementation, and estimate associated construction costs and schedule. The options for continuity of city operations during the retrofitting process will also be considered.

The consultant's review started in October, but has not yet been completed. Estimated costs of the retrofit (based on experiences in other cities) is projected in the LRFP at $20 million. Further information is available at the City web site here:

http://sanbernardinocityca.iqm2.com/Citizens/FileOpen.aspx?Type=1&ID=1595&Inline=True

Reinvestment in Corporate Support Functions

As noted in the City's Plan of Adjustment originally submitted to the bankruptcy court, administrative services have declined significantly over the last decade. The City has not invested in management, staffing levels, training and information systems or modern municipal policies and procedures. Combined with a bankruptcy process, depressed salaries and a City Charter which seriously impacts the ability of the City to recruit and retain employees, the City organization has become more and more decentralized with respect to critical internal service functions such as human resources, finance and information technology.

This puts the City at risk on many levels and investing in these functions must be on the critical path to recovery. While the situation varies from division to division, the average vacancy rate is approximately 16% and the vacancy rate in management level positions is typically higher – as much as 46%. Systems have not been kept up to date and operations are struggling to provide even basic levels of service in some areas. City consultants have prepared a detailed inventory of observations and recommendations regarding the City's areas of risk in each of the corporate functions.. The following represents a summary of a proposed transition plan for 2016 designed to address the most critical items. Funding for these initiatives is found under the strategic initiatives section of the Long Range Financial Plan.

<u>Information Technology – Draft 2016 Transition Plan</u>
To enable the Information Technology Department to regain its footing and implement a course for the future requires the City to immediately take steps to implement following priorities.

1. **Contract for managed services.** The Information Technology Department is understaffed both from a capacity and expertise standpoint. Implement managed services for specific areas, (e.g., servers, firewall, switches, VMWare, AD, Exchange), to allow existing staff to focus on backlog and workload). Specific efforts would include:
   a. Looking at existing contract services to include any of those as part of a request for proposals (RFP) for services. An RFP is critical to get best pricing and ensure the selection of the appropriate service provider.
   b. As needed, include an evaluation of *targeted cloud based solutions* prior to major systems or hardware upgrades. (For example, a hybrid could be used for cloud backups/DR and Exchange. Many of these systems are in immediate need of upgrades.)
   c. Maintaining a contract with a managed services provider to continue to provide expertise and staffing for these services for City staff and consult as needed on changes.
   d. Ensure critical systems are identified and included in RFP.
2. **Hire an Information Technology Director on an interim, contract or permanent basis.** The department cannot move forward in any significant way without addressing the department management and technical leadership void by securing an Information Technology director, at least on an interim basis. Given the challenges facing the department and the City, the most effective individual would be a technology professional who could provide hands-on assistance but who also can understand the broader view of the organization's technology and financial situation.
3. **Create and implement key IT policies and procedures to ensure appropriate use of City equipment and reduce security risks.** These should include the following:
   - IT User Policy,
   - Electronic Communication Policy,
   - Password Policy,
   - File Retention Policy, and
   - New IT Project or Equipment Request procedures.
4. **Develop a replacement plan for systems and hardware.** Identify critical systems and infrastructure and develop a priority replacement schedule to ensure funds are available through the budget process.
5. **Establish a staff training plan.** Establish a staff training plan for each IT position to assist them in obtaining the necessary skill sets for today's operational demands.
6. **Develop a short-term citywide IT Strategic Project Plan.** Develop major project plans to lead the implementation of priority projects in departments and IT over the next 12 to 24 months. The plan should identify funding and resource requirements. The project discussion

should include options to upgrade existing permitting software in Community Development and evaluate the use of solutions for Human Resources and Payroll to eliminate manual systems.

7. **Implement VOIP.** Using an RFP process, hire a telecommunication vendor to assist the City with a needs assessment and recommendations to complete VOIP implementation. Include an evaluation of the existing local area network equipment to ensure the equipment can support the bandwidth and quality of service requirements. The report should also include a holistic evaluation of the existing wide area connections (WAN) to City facilities to improve reliability and recommend any design improvements.

8. **Outsource the City's printing operation.** There is an opportunity to again look at outsourcing this function and add capacity to IT as a result. Departments are likely to resist this option but it is a best practice, proven to be cost effective and when accompanied by the installation of modern copiers, departments will find it is more flexible and able to better meet their needs.

<u>Finance Department – Draft 2016 Transition Plan</u>

To enable the Finance Department to regain its footing and implement a course for the future requires the City to take steps to implement the following priorities.

1. **Hire a finance director on an interim, contract or permanent basis.** The department needs the capacity of a full time director to provide day to day management and oversight of its municipal finance function.

2. **Contract professional government accounting expertise.** The Finance Department is understaffed both from a capacity and accounting expertise standpoint. Until the City is able to recruit accounting and management staff, a contract accounting firm can supply the accounting and financial reporting services in the department necessary to support completion of outstanding financial statements, and related financial reports for review by the external auditors. An accounting team located within the department can also oversee implementation of required internal controls and advise on major accounting issues.

3. **Hire a budget manager on an interim, contract or permanent basis.** The City will need to begin preparation of the FY 2016-17 budget as soon as possible to ensure the Plan of Adjustment is implemented and strategic objectives achieved. Beyond tasking the deputy city manager, there is little capacity in the organization to get this done.

4. **Prepare a transition plan from contract accounting services to in-house, professional accounting staff.** Initially this will involve assessing the current independent contractors performing financial functions and determining those to retain, and whether to redeploy them to alternative tasks. A plan for bringing on permanent staff must be prepared, including the timing and the job classes involved and any required changes to job descriptions or qualifications. This will need to be followed by the recruitment process, and proper training for the new employees.

5. **Contract with an accounting firm to perform a complete review of the City's internal financial controls and develop a set of policies and procedures to prevent and detect fraudulent activity**.

A department with vacant management positions and an overall 46% staff vacancy rate cannot provide the depth or capacity necessary to provide the management and oversight required for a municipal finance function. Combined with the lack of accounting expertise, the department is effectively in a state of urgency to which the City must respond as soon as possible.

Human Resources – Draft 2016 Transition
To enable the Human Services Division to transition to a comprehensive human services organization providing service to its internal customers and to attract and recruit a quality work force, the City should implement the following priorities in 2016.

1. **Consolidate recruitment and testing functions** - The current bifurcated recruitment process is inefficient and confusing to departments and applicants. Consolidation of Human Resources and Civil Service and placing the full responsibility within the Human Resources Division will provide transparency and consistency to applicants and hiring managers. Reassigning the Civil Service staff to the Human Resources Division will provide greater resources to conduct open recruitments and fill vacancies and will also provide much needed flexibility in work assignments as priorities change. As part of this transition, Human Resources should process map the recruitment process to streamline recruitments and reduce timeframes.
2. **Fill high priority vacancies throughout the City** - In conjunction with department heads and the City Manager's Office, HR should develop an action plan to prioritize the most critical vacant positions. The plan should also identify any need for additional resources to assist in the recruitment process.
3. **Fill the vacant positions in Human Resources and Civil Service** - To address the city-wide vacancy situation, Human Resources and Civil Service need to fill their own vacant positions.
4. **Expand the risk management function within the Human Resources Division** - Delete the vacant senior human resources /risk analyst position and add a risk manager position. Once a risk manager position is hired, conduct an evaluation of the current claims process within the City as well as all insurance and liability policies with outside vendors.
5. **Develop a strategic technology and systems improvement plan** - Acquire (if necessary) and implement software, systems and technology to improve the efficiency and effectiveness of the department. The lack of automated systems results in inefficiencies, duplication of effort, delays, and possibly errors. The following are priority areas to be addressed:
    a. Human Resources Information System (HRIS) – a robust system to track employee information and history
    b. Position Control – linked to the payroll system to accurately track and report on filled and vacant positions
    c. Case Management – a system to track and report on disciplinary cases, grievances, EEO complaints, meet and confers, workers' compensation cases, leaves of absence, reasonable accommodations and other personnel cases
    d. NeoGov – an electronic resource currently being used at a very basic level. The system has additional capability including tracking timeframes, and can be expanded to operating departments to allow them to participate in the recruitment process thereby reducing workload in HR.

6. **Update human resources policies and procedures** - To mitigate potential risk and enable the organization to apply consistent and up-to-date personnel policies and procedures, the City should revise the following documents:

- Personnel Rules and Regulations
- Employee/Employer Relations Resolution
- Adopted Administrative Policies
- Human Resources Desk Procedures

A streamlined recruitment process will be required to attract and hire qualified employees in a competitive municipal hiring environment. This will require reengineering the way the City does recruitments not only to increase efficiency, but also to deliver effective results. Additionally, the City must address its basic human resource policies and procedures, from risk management to basic personnel policies and procedures to begin to rebuild trust with employees and reset the relationship as it emerges from bankruptcy. Finally, efficiency and effectiveness will not be attainable until and unless the staff is provided the systems and tools to better manage information and deliver fundamental services.

Retiree Medical Coverage (PARS agreement)

As detailed in the initial recovery plan, the City had reached a tentative agreement with retirees to reduce retiree medical obligations in exchange for the agreement with CalPERS to maintain existing pension benefits. The City has now finalized this agreement with the Retiree Committee.

Significant reductions to the medical benefits were made effective January 1, 2015. These included:

- The implied subsidy was eliminated for all participants.
- The $112/month benefit was changed from lifetime (regardless of Medicare eligibility) to post-65 for those not eligible for Medicare, and annual increases were capped at 2%
- A benefit of up to $450 per month, depending on years of service, for police with at least 20 years of City service was eliminated completely.
- All benefits for those hired after 2012 were eliminated

The value of these eliminated benefits as of June 30, 2015 is estimated at $48.1 million when discounted using 4% interest (the actuarial accrued liability) to $97 million in total dollars where there is no discounting of future payments.

In 2004, the City elected to provide retirement enhancements to eligible police safety employees through membership in the Public Agency Retirement System (PARS). The purpose was to provide approximately 21 police employees with retirement benefits equivalent to the CalPERS 3% @ 50 formula that was to go into place at a future date. In 2008, the City elected to provide a PARS Excess Benefit Plan providing additional benefits to two police safety employees. To be eligible for the PARS benefits, a full-time Police Safety or Police Safety Management employee had to be employed as of January 1, 2004, had to be age fifty with 20 years of service and had to retire on or before December 31, 2008. As of March 2015, the City's actuarial liability, or the additional funds needed to fully fund the Plan was approximately $2.3 million. The City has not contributed funds to the PARS Plan since 2013.

The City has proposed in its Plan of Adjustment to provide the PARS participants with a pro-rata share of the remaining proceeds in the PARS plan (as well as a 415 PARS Plan). As part of that treatment, the City will provide no further funding to the PARS plans.

Police Five Year Resources Plan

San Bernardino's future and its prospects for recovery rest in large part on its ability to cut its rate of violent and other crime, and address the perception that San Bernardino is a dangerous city. Increased public safety alone will not be enough to improve the city's financial outlook, but unless and until residents, business owners and visitors feel safe in San Bernardino, other efforts to stabilize it and attract economic development will be hampered by ongoing fears of crime.

The Mayor, Common Council and San Bernardino's residents agree that crime is the most important issue the City faces. In fact during the strategic planning process held in the fall of 2014 this issue emerged as the community's top priority. This strategic process, which directly engaged hundreds of City residents, provides a foundation for the City's Recovery Plan adopted by the Council and filed with the Proposed Plan of Adjustment / Disclosure Statement in Bankruptcy Court in May. These plans called for additional strategic initiatives to enhance public safety, but of necessity, these initiatives were not as defined and specific as would have been preferred.

Objections filed by creditors in response to the City's proposed Recovery Plan included many complaints and requests for further justification for any additional spending. This Police Services Five Year Resources Plan (Plan) is intended to provide additional specifics and justification regarding Police services. This Plan was heard and adopted by the City Council on November 16, 2015. The full plan as adopted by the City Council is attached to this Updated Recovery Plan as Exhibit 1. It will be used to support the updated Plan of Adjustment to be filed with the Court before the end of the year. It was developed by a team of our top command staff in the Police Department, supported by our bankruptcy consultants Management Partners.

No one familiar with the City will be surprised that improving public safety will require an investment in the San Bernardino Police Department to increase staffing levels, obtain upgraded technology, replace its aging fleet and engage the community to assist in fighting crime. Even as the City is making difficult decisions and cutting its budget to recover financially, investing resources in the Police Department will help San Bernardino attract and retain residents and businesses, both of which are necessary to its long-term economic recovery. No police department that has lost 30 percent of its force can be expected to fight crime at the same levels as before the cuts; such a loss will almost inevitably lead to a city that is less safe and less desirable to residents, businesses and visitors.

The proposed Plan outlined in this document would require an additional $56,504,098 over five years to implement if fully funded.

There are three areas that need investment in order to better equip the San Bernardino Police Department to fight crime. The first is to increase the staffing levels of the department, which have fallen by 30 percent since 2009. Currently there are only enough patrol units to respond to calls for service, and response times to those calls have increased dramatically. The department will be unable to address safety issues in the City until it has enough officers to respond to calls for service, build relationships, and work with the community on proactive solutions to crime. Increasing staffing levels will also require greater effort to recruit qualified officers to the department. This is a challenge for well-funded, stable departments, and even more so for a department like San Bernardino's, but it is a clear priority that deserves a well-thought-out plan and sufficient funding.

The second area requiring investment is technology. The department's systems are aging and deficient, with some obsolete and no longer supported. The deficiencies hamper officers' ability to react to crimes that have occurred and plan strategically to prevent future crime. There also are inadequate plans for business continuity and access to critical systems should the department's servers become damaged or impaired due to their location and current configuration. Finally, there are no funds being allocated to replace systems as they become obsolete, and such systems are usually too expensive to purchase using one cycle of funding.

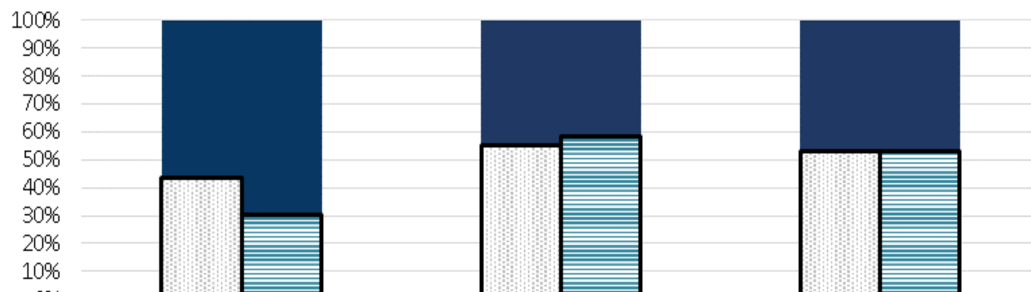
Lastly, the department's fleet is aging, with more than half of all police cars 10 years or older and roughly a fifth with more than 100,000 miles. As a result, vehicles are kept on the road longer. This causes repair costs to escalate and vehicles to be kept out of service for longer periods of time. Furthermore, there is no vehicle replacement fund or any other mechanism to replace vehicles as they age.

In order to summarize the Plan we want to highlight 3 issues discussed in detail in the Plan itself. These are the unique and untenably high level of crime (and poverty) endured by the community, the relatively low expenditures the City is able to make in addressing the crime problem, relative to other cities with some similarities to San Bernardino and finally what is necessary for the City to adequately resource and address the crime and safety issues.

Comparative Crime Rates

As shown in Figure 1, San Bernardino has more than double the violent crime rate as either the surrounding region or the state as a whole. In fact for every three violent crimes per 1,000 residents in the region, there are ten such crimes in San Bernardino. With crime rates ranging from two to three times more than in the state and region, recovery and economic development will be a tough task. Before living in or investing in a community, people need to feel safe, and unfortunately that is not the reality now in San Bernardino.

Figure 1. State and Regional Crime Rates Compared to San Bernardino in 2014



	Violent Crime per 1,000	Property Crime per 1,000	Part 1 Crime per 1,000
San Bernardino	100%	100%	100%
California	43%	55%	53%
Region Average	30%	58%	53%

San Bernardino **California** **Region Average**

Sources: 2015 California Department of Finance; 2014 Federal Bureau of Investigation Crime Reports
Notes: Region average includes large nearby cities: Fontana, Moreno Valley, Rancho Cucamonga, Ontario, Riverside, and Corona. Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

San Bernardino's crime rates are high even when compared to other high-crime cities in California. Of the 63 California cities with populations between 100,000 and 400,000, San Bernardino has the second highest Part 1 crime rate. Table 1 provides demographic and crime data for the 10 cities with the highest crime rates within this population range. Notably, San Bernardino also has a significantly lower median household income and a higher percentage of people in poverty than other cities with high rates of crime. People living in poverty are the victims of violent crime at more than twice the rate of high income populations according to a study by the Bureau of Justice Statistics between 2008 and 2014.

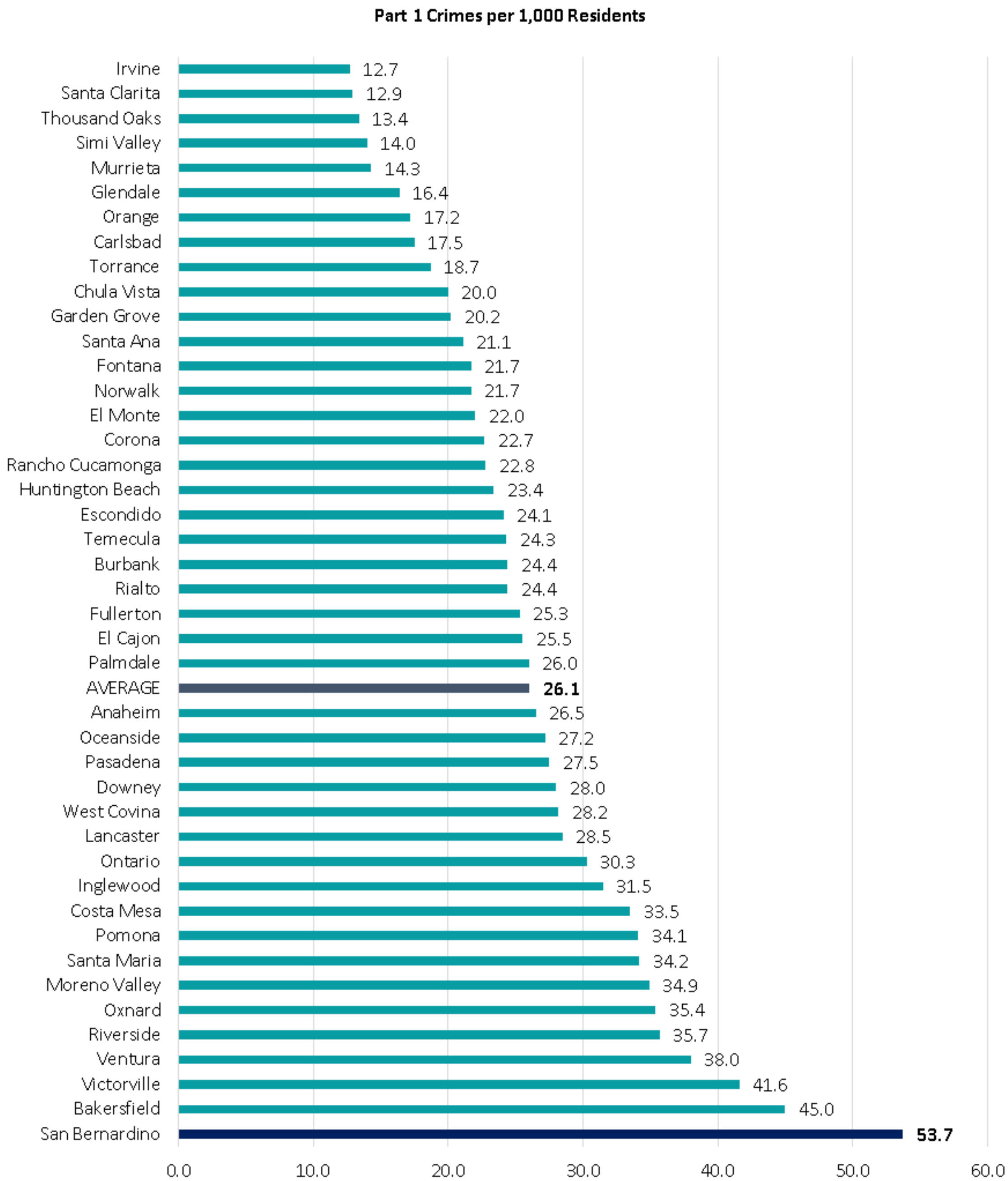
Table 3. High-Crime Cities in California between 100,000 and 400,000 in population – Demographic Data

City	2015 Population	2014 Part 1 Crimes per 1,000 Residents*	2014 Violent Crimes per 1,000 Residents	2014 Percent Violent Crime of Part 1 Crimes	2013 Median Household Income	2013 Percent of All People in Poverty
Antioch	108,298	46.9	7.8	17%	$65,254	14.9
Bakersfield	369,505	45.0	4.5	10%	$56,204	20.4
Berkeley	118,780	46.7	3.6	8%	$63,312	18.7
Concord	126,069	45.0	3.7	8%	$65,798	12.1
Modesto	209,186	52.3	8.5	16%	$47,060	20.8
Richmond	107,346	48.0	7.9	16%	$54,589	18.5
San Bernardino	213,933	53.7	9.9	19%	$38,385	32.4
Stockton	306,999	56.1	13.0	23%	$46,831	24.3
Vallejo	119,683	49.8	8.6	17%	$58,371	17.5
Victorville	121,168	41.6	5.3	13%	$50,034	25.3
State	38,714,725	28.4*	4.0	14%	$61,094	15.9

Sources: 2015 California Department of Finance; 2014 Federal Bureau of Investigation Crime Reports; 2009-2013 American Community Survey Estimates
Note: Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

San Bernardino's crime rates are especially high in comparison with other similarly-sized cities in Southern California. Of the 63 California cities between 100,000 and 400,000, 43 are in Southern California, 18 are in Northern California and two are in Central California. Southern California enjoys significantly lower levels of crime within this population range. Only three of the 10 cities with the highest crime rates are in Southern California (Bakersfield, San Bernardino, and Victorville). As shown in Figure 2, San Bernardino's crime rate is highest among Southern California cities in this group, with more than double the average crime rate. The Part 1 crime rate in San Bernardino (the city with the most crime) is more than four times that of Irvine, the city with the least crime.

Figure 2. Part 1 Crime Rate of Similar-Sized Southern California Cities in 2014



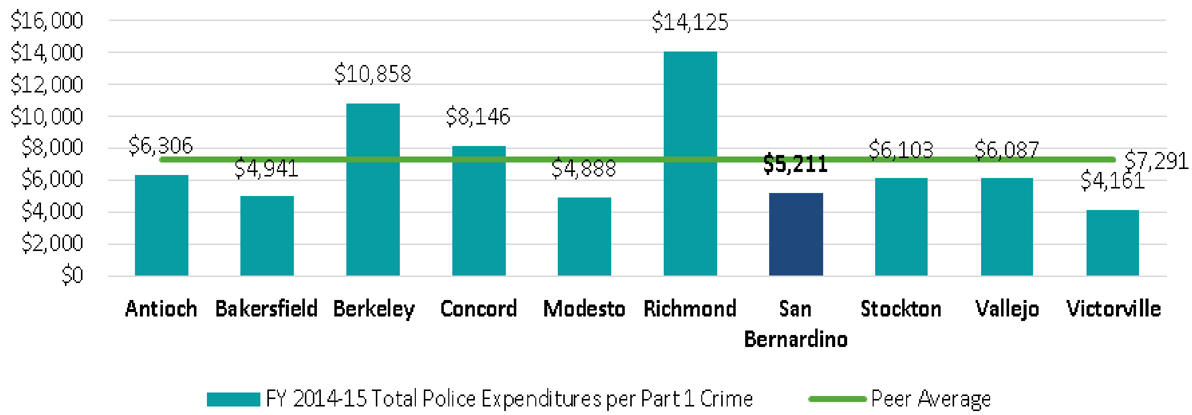
Sources: 2015 California Department of Finance; 2014 Federal Bureau of Investigation Crime Reports
Note: Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

High Crime and Low to Average Police Expenditures

Fighting crime costs money and San Bernardino, impoverished and in bankruptcy has not had the money necessary to address the problems. While San Bernardino has high levels of general crime and violent crime, it spends comparatively little on police services. When compared with other similarly sized California cities with high rates of crime, San Bernardino falls below average in terms of police expenditures per capita and Part 1 crime.

Figure 3 shows police expenditures per Part 1 crime for a subset of cities in the state with the highest crime rates. San Bernardino spends less per Part 1 crime than Stockton as well as the average of the three top crime cities. If San Bernardino was simply to reach the average spending level it would take approximately $23.9 million in additional spending annually.

Figure 3. Similar Sized California Cities with Top Crime Rates – Police Expenditure per Part 1 Crime in FY 2014-15



Sources: FY 2014-15 Adopted City Budgets; 2014 Federal Bureau of Investigation Crime Reports
Note: Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

A Plan to Rebuild

The proposed Police Services rebuilding plan focuses on building staff capacity to transition the department out of the crisis response mode experienced over the last five to ten years to one capable of providing a core level of service to the community. And as critically important, the plan is intended to provide the required depth and capacity to strategically plan for the future and partner with the community to reduce crime and attract investment. The overall rebuilding plan focuses on the following three objectives:

1. Rebuild staff capacity to be able to deliver the core mission and reduce call response times;
2. Invest in training a police workforce able to deliver 21st century law enforcement;
3. Utilize technology to improve efficiency and effectiveness; and
4. Engage the community in strategies to reduce crime and increase economic development opportunities.

Proposed Staffing Plan

The goal of the staffing plan over the next five years is to achieve the staffing level the department believes necessary at a minimum. This will enable it to deliver its core service mission, reduce call response times, and provide the depth required to engage with the community on a path to improving the overall quality of life.

Table 9 provides a proposed five-year staffing plan that results in 89 new positions, for an overall 29% increase in authorized sworn positions The addition of 72 new sworn positions will still be below the department's peak staffing level of 356 in FY 2009.

Table 4. Proposed Police Five Year Staffing Plan

Positions	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	Total
SWORN						
Lieutenant	0	0	1	0	0	**1**
Sergeant	0	2	2	1	0	**5**
Detective	0	2	2	1	0	**5**
Police Officer	0	15	15	15	16	**61**
SWORN Subtotal	**0**	**19**	**20**	**17**	**16**	**72**
Professional						
Animal Control Officer	1	1	0	0	0	**2**
Crime Analyst	1	1	0	0	0	**2**
Community Engagement Officer	0	1	0	0	0	**1**
Criminal Investigation Officer	0	2	1	2	0	**5**
Dispatcher	0	3	1	0	0	**4**
Forensic Specialist I/II	0	0	2	0	0	**2**
Personnel and Training Technician	1	0	0	0	0	**1**
PROFESSIONAL Subtotal	**3**	**8**	**4**	**2**	**0**	**17**
TOTAL	**3**	**27**	**24**	**19**	**16**	**89**

Source: Provided by the City of San Bernardino

Increased staffing levels accompanied by improved incident reporting strategies and technology would have a substantial impact on reducing call response times. While it will take time to hire and train new personnel, there will be incremental improvements as they complete training and begin working on their own. (Increasing personnel and training staff will be a critical component to our hiring process because of the increased number of applicants who will need to be recruited over the next five years.)

Department force reductions have virtually eliminated most of the traditional community policing structure that existed prior to the financial crisis and bankruptcy. A steady high crime rate combined with staffing reductions significantly reduced the Police Department's ability to engage in positive community engagement efforts and directed problem solving efforts to make neighborhoods better places to live and work.

The department has also embarked upon a strategic planning effort to guide the implementation of the proposed ramp-up in staffing and resources, engage the community and face the challenges of 21st century law enforcement efficiently and effectively.

Five-Year Cost

Implementation of the full building plan will require an additional General Fund allocation to the Police Department of about $56.5 million. Table 5 projects police General Fund expenditures for the next five years using the same assumptions employed in the 20-year budget model associated with the City's bankruptcy planning. The projections include the staffing ramp-up, associated salary and benefit costs, as well as critical investments in the department's information systems and aging fleet.

Table 5. Projected Police Budget with Staffing Plan

	Budgeted FY 2015-16	Projected FY 2016-17	Projected FY 2017-18	Projected FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Cumulative Total
Budgeted Expenditures							
Salaries and Benefits	$48,654,807	$51,017,787	$52,879,720	$55,301,220	$57,744,761	$59,202,483	$324,800,779
Operating Expenses	$8,465,320	$8,719,280	$8,980,858	$9,250,284	$9,527,792	$9,813,626	$54,757,160
Total Budgeted	**$57,120,127**	**$59,737,067**	**$61,860,578**	**$64,551,504**	**$67,272,553**	**$69,016,109**	**$379,557,939**
Additional Expenditures							
Salaries and Benefits	$211,545	$3,258,675	$6,567,080	$9,,341,851	$11,836,841	$12,030,324	$43,246,315
Operating Expenses	$892,100	$3,538,591	$2,787,142	$2,912,942	$1,806,742	$1,320,265	$13,257,783
Total Additional	**$1,103,645**	**$6,797,266**	**$9,354,211**	**$12,254.793**	**$13,643,583**	**$13,350,589**	**$56,504,098**
TOTAL with Staffing Plan	**$58,223,772**	**$66,534,333**	**$71,214,800**	**$76,806,297**	**$80,916,136**	**$82,366,699**	**$436,062,037**

Source: Provided by the Urban Futures. Additional information regarding vehicle replacement and technology cost provided by Management Partners.

The above figures represent what it would cost to implement the full staffing plan. However, the desire to full restore service solvency must be tempered with the need to maintain financial sustainability in the form of an adequate fund balance over time. Thus, only 70% of the financial need for the police staffing plan is included in the City financial forecast.

San Bernardino has made progress in its efforts to recover from its bankruptcy, from the difficult decision to approve the Plan of Adjustment to the ongoing effort to reform the City's Charter. Investing in the San Bernardino Police Department is an essential component of the City's strategy for recovery that will pay tangible dividends; a failure to address crime will likewise hinder other efforts to stabilize the City and encourage its economic growth.

Charter Reform

The May Recovery Plan discussed the City's Charter, and efforts to develop a more main-stream, modern charter so the City can operate more effectively and in-line with how other cities in California of comparable size and complexity are governed and operate.

The San Bernardino Volunteer Citizens Charter Committee continues to meet twice per month to develop recommendations for a new or substantially revised charter. It is anticipated the Committee will complete the development of a "skeleton" for the charter describing the recommended governance structure, roles, responsibilities, and reporting relationships in early December and begin work on specific language for a recommended charter. Rather than amend the existing charter, the Committee is likely to propose a completely new charter document largely based on the National Civic League Model Charter and best practices for modern municipal governance.

Following are some of the preliminary recommendations adopted by the Committee thus far.

- Council-manager form of government
- Common Council powers shall be limited to legislative and policymaking, not administrative or operational. Common Council members shall perform their duties and exercise their powers in a manner that serves the best interests of the entire City, rather than any particular special interest or geographic area.
- Mayor will continue to be elected at large, but shall have no administrative, appointment or removal powers.
- The City Manager will be the Chief Executive Officer, with all departments reporting to him or her.
- The Mayor shall have full voting privileges. The Committee is discussing options to avoid an even number of elected officials, such as reducing or increasing the number of wards.
- The roles of Mayor, Common Council, City Attorney and City Manager as articulated by the Operating Practices for Good Government shall be incorporated into the Charter.
- The City Attorney and City Clerk shall be appointed by the Mayor and Common Council, not elected.
- The charter will not reference the City Treasurer. The Committee recommends the Treasurer's functions be delegated to professional staff in the Finance Department.
- The Committee is recommending references to specific departments, boards or commissions in the charter be avoided to provide maximum flexibility for the Mayor and Common Council to establish them to meet the needs of the City in the most effective and efficient manner.
- The charter will include general language that the City establish a personnel system, but not detailed requirements such as job titles, salary formulas or procedures governing such as system.

In early November the Charter Committee conducted three public forums to obtain input on these preliminary recommendations. The feedback was supportive of the Committee's preliminary recommendations.

The Committee has already presented one update report to the Mayor and Common Council, who generally endorsed the direction of the Committee. The Committee plans to provide another progress report to the Mayor and Common Council in early February 2016, present its final report and recommendations by late April/early May 2016. The Committee is considering increasing the number of meetings per month to ensure they are able to meet these deadlines.

Once the Committee has transmitted its report, the Mayor and Common Council will have up to two months to review the proposed charter and associated recommendations. The Mayor and Common Council must take action by the August 1, 2016 Common Council meeting to place a measure on November 8, 2016 ballot.

A full discussion of the Charter reform effort can be found here:
http://www.sbcity.org/cityhall/city_clerk/volunteer_citizen_based_charter_committee_agendas.asp

B. Becoming a Viable Employer

This section reinforces the absolutely critical need for the city to become a viable employer by attracting and retaining qualified employees.

The Need to Remain in CalPERS

The cost of providing defined benefit retirement pensions to City employees is one of largest cost categories for the City. These costs deserve careful scrutiny. In the section below on the updated Long Range Financial Plan, the City shows in detail how our cost estimates have been created and why we are confident that the financial plan is feasible and indeed prudent. Furthermore, as this section explains, under the current circumstances in California, a municipal employer of San Bernardino's scale and scope simply has no proven lower cost alternative to recruiting and retaining competent employees; other than remaining as part of the CalPERS system. Indeed, as has been previously discussed, the data shows that even with the CalPERS defined benefit plan, San Bernardino is struggling to remain a viable employer within the municipal labor market.

To understand an individual cities ability to make unilateral changes in retirement programs, one has to understand the landscape for recruiting and retaining municipal employees in California. What one finds is that virtually all cities in the State participate in CalPERS, the few that do not are either very large cities that can afford to design and administer their own defined benefit plan Los Angeles, San Diego, San Jose and Fresno), or very small cities, typically without public safety employees which do not need to participate for operational reasons.

In the state of California there are currently 482 cities and 58 counties. Table 13 represents the number of cities and counties participating in either a defined benefit or other retirement program. Of the 464 cities with over 7,000 population approximately 99% are either in CalPERS or a defined benefit plan which mirrors CalPERS.

Table 6. California City and County Retirement Systems

Retirement System	Cities 464[1]	Percentage Of Cities	Counties 58[2]	Percentage Of Counties
Defined Benefit Plans				
CalPERS	451	97.2%	37	63.8%
1937 Act County Employee	4	.9%	20	34.5%

Retirement System	Cities 464[1]	Percentage Of Cities	Counties 58[2]	Percentage Of Counties
Retirement System				
Independent System	4	.9%	1	1.7%
TOTAL – Defined Benefit	**459**	**99%**	**58**	**100%**
Other Plans				
Defined Contribution – Miscellaneous[3]	4	.8%	-	-
Deferred Compensation - Miscellaneous	1	.2%	-	-
TOTAL – Other Plans	**5**	**1%**	-	-

[1]*Excludes cities with a population of less than 7,000 who are not CalPERS members and the newly incorporated City of Jurupa Valley. Listing includes cities that may also have contract public safety services with either a county or special district with a defined benefit plan.*
[2]*In 1937 the Legislature passed the County Employees Retirement Law (CERL) which permits counties to contract with CalPERS for their retirement services, establish a system under CERL provisions or adopt an independent system.*
[3]*One city (Mendota) also has a defined contribution plan for police.*

Of the 464 cities in the listing, 451 or over 97% contract with CalPERS to provide a defined benefit plan for their employees and 8 (6.6%) either contract with 1937 Act County Employee Retirement System or have their own independent defined benefit plan. (Voters in two of the four cities with independent defined benefit plans, San Jose and San Diego, have passed initiatives to modify the defined benefit plans for new, and in the City of San Jose, existing, employees. Under the initiative, the City of San Diego will provide all **new** hires at the City, except for sworn police officers, with a defined contribution plan modeled after a 401(k) plan in place of a defined pension plan. Because of the exemption of police and current employees the San Diego approach will take many years to achieve substantial savings. The City of San Jose initiative provides a hybrid system, and was to have applied to existing employees. However, litigation as well as recruitment and retention problems, particularly for police officers, proved so problematic for the City that the voter approved approach was replaced by negotiated plan modifications, and subsequently is to be considered by voters. Both cities, as mega-cities at least 5 times as large as San Bernardino, can afford the major expense and risks associated with having their own independent pension system.

In July 2014, cities and towns (not including counties and special districts) employed approximately 263,000 people throughout California. Counties employ another 330,900 people[1]. Management Partners estimates about 267 employees of the 464 cities evaluated were employed by cities that do not provide a defined benefit plan. (The number of employees for seventeen cities with populations below 7,000 was not able to be verified). Based on these calculations, approximately 99.9% of municipal employees and 100% of county employees are provided a defined benefit plan in California.

Newly incorporated cities are a good test of whether CalPERS benefits are really necessary to recruit and retain qualified staff. Since 1990, twenty-six new cities or towns incorporated in California. As noted in Table 2, of those 26 cities, 24 or 92.3 % of the cities chose to contract with CalPERS for their retirement benefits. The other cities chose to contract with a different deferred benefit provider via an agreement with a County to cover employees in an existing 1937 Act program which is equivalent to CalPERS.

[1] Source: California Employment Development Department, LMI Division, California Industry Employment & Labor Force

Virtually all newly incorporated cities have contracted with CalPERS in a defined benefit plan. This is an interesting finding in that such cities had a clean slate to work with. They did not have to contract with CalPERS. They chose to after evaluating the needs involved in recruiting and retaining qualified employees. This is powerful evidence that in order to obtain qualified staff cities need to offer a CalPERS or similar plan.

Table 7. Cities Incorporated Since 1990 Retirement System

Incorporated City or Town	Population	Incorporation	CalPERS Defined Benefit System	Other Defined Benefit System
Jurupa Valley	96,456	2011	No	1937 Act County Retirement System (Contract Public Safety)
Eastvale	55,602	2010	Yes	
Wildomar	32,719	2008	Yes	
Menifee	80,589	2008	Yes	
Rancho Cordova	66,093	2003	Yes	
Goleta	29,930	2002	Yes	
Aliso Viejo	48,988	2001	Yes	
Rancho Santa Margarita	48,278	2000	Yes	
Elk Grove	155,937	2000	Yes	
Oakley	36,532	1999	Yes	
Laguna Woods	16,334	1999	Yes	
Citrus Heights	83,881	1997	Yes	
Truckee	15,918	1993	Yes	
Shasta Lake	10,077	1993	Yes	
Windsor	27,003	1992	Yes	
Buellton	4,858	1992	Yes	
American Canyon	19,809	1992	Yes	
Yucca Valley	20,916	1991	Yes	
Murrieta	104,985	1991	Yes	
Malibu	12,699	1991	Yes	
Lake Forest	78,036	1991	Yes	
Laguna Hills	30,618	1991	Yes	
Chino Hills	75,655	1991	No	1937 Act County Retirement System
Calabasas	23,683	1991	Yes	
Canyon Lake	10,689	1990	Yes	
Calimesa	7,998	1990	Yes	

The media coverage concluding that defined benefit pension funding is unsustainable is heavily skewed by reports and comments issued by creditors in the Stockton, Vallejo and Detroit bankruptcies and by their advisors and firms which provide credit ratings and which tend to be allied with banks and bond insurers. The reality is much different than the media perception. The comments made by the city managers of both Stockton and Vallejo in response to the media coverage of the October 8th court hearing provides important perspective. The blog, CalPensions, which is one of the best sources of objective information on CalPERS and other defined benefit plans in California,, quoted Dan Keene the City Manager of Vallejo as follows: "We are not at risk of a second bankruptcy. We would emphatically deny there is a possibility of a second bankruptcy." The Stockton City Manager, Kurt Wilson was quoted as follows: "… we currently have a 20 percent ($40 million) general fund reserve which not only places us in possibly the strongest financial position in recent memory, but combined with our forecasting, gives us one of the strongest fiscal foundations in the state. While our service level will remain below what it was several years ago, we are meeting our current needs in a fiscally responsible way and are in no way near the financial condition that necessitated the bankruptcy."

The fiscal model being used in Stockton is similar to the one being used in San Bernardino.

Police Union Agreements

As evidenced by the previous discussion regarding current police services, the number of sworn officers has decreased approximately 39% since 2011. Reducing crime is essential to the economic development of the City as well as a top priority for the citizens of San Bernardino. The department has had significant problems in recruiting and retaining officers due in part to the uncertainty of the City's financial conditions. Further, the last collective bargaining agreement for police safety expired in 2009 and since that time, the only certainty for salary adjustments has been through the provisions of City Charter Section 186.

In spite of the Charter 186 salary protections, a March 2015 total compensation study showed that police safety were approximately 15.2% below the median for comparable agencies and that police management were approximately 10.4% below the median. In August 2015, the City and the San Bernardino Police Officers' Association (SBPOA) entered into a 5-year agreement that provided a minimum 3.5% salary increase per year and increased CalPERS retirement cost-sharing of 12% for the last three years of the agreement. In addition, the SBPOA, in conjunction with Police Management agreed to participate in an aggressive recruitment campaign to attract new hires and lateral police officers to fill the vacant positions. In exchange for the compensation under the 5-year agreement, there were concessions of pre-petition leaves, waiving of all claims for the imposition of the 2013 CalPERS cost-sharing of 13.989%, and the giving up of any City contributions toward retiree health care.

On November 2, 2015, the Mayor and City Council adopted a Resolution for the 13-member Police Management Association adopting similar compensation and CalPERS cost-sharing obligations as had been approved for the SBPOA.

Given the differential between the current police safety and police management total compensation packages and the median as established by the March 2015 study of comparable agencies, the 5-year packages should bring police safety employees closer to the median by the end of the term of the agreements. These compensation packages should facilitate the police department's efforts in recruiting and retaining qualified officers, a top priority for the economic development of the City and reducing crime.

Resolution of Leave Claims

The agreements for all employee groups included the provision that the monetary value of all pre-Bankruptcy petition leave bank accruals, including vacation, sick leave, concession leave, and holiday leave, would be the subject of distribution as part of the bankruptcy unsecured creditors' pool. In essence, all leave balances accrued on or before August 1, 2012 (Pre-Petition Leave) would be placed in the unsecured creditor pool and would not be available for use by the employees.

However, in finalizing comprehensive agreements or Memorandum of Understanding (MOU), the City prepared time records for both safety and the general employees to determine pre-petition leave balances for vacation, sick and holiday leaves. At that time, because pre-and post-petition leave balances had been comingled as one balance on each employee's pay records, it was discovered that approximately one-third of the employees had a negative leave balance in one or more of these three leave categories. The City determined that not allowing employees to be able to use accrued leave balances for sick or vacations was not a practical best management practice nor did it seem fair and equitable to forbid employees to use accrued leave banks simply because the hours earned were accrued before the City filed for Bankruptcy in August 2012.

Accordingly, the City worked with the employee groups to come up with a solution to address the issues resulting from the negative leave balances. As a resolution, the City and the employee groups agreed that employees would continue to accrue and use post-petition leaves but that in the event that the employee had a negative leave balance, only then could the employee use any accrued pre-petition leave. Employees would not be able to cash out any pre-petition leaves and any use of the leaves would still be subject to the approval of supervisors and the limitations set forth in the MOUs. Upon retirement or separation, any remaining pre-petition leave banks would be subject to the unsecured creditor pools. Despite the policy change to allow those employees to use (but not cash out) pre-petition leave banks, the giving up of these accrued leaves is still a significant concession, because typically employees retiring or separating do so with unused leave.

Adequate Compensation

Currently, the City has a vacancy rate of approximately 16%. In some critical functions, such as finance, it is higher. One reason is that the City's compensation levels are below the market. In March 2015, the City commissioned a total compensation study, which was included with the May Recovery Plan. The police comparison to the Ralph Anderson total comp survey is covered above. The March 2015 survey revealed the following:

Executive Management: -9.3% below median
Confidential/Management: -7.7%
Mid-Management: -12.1%
Police Safety: -10.2% to -15.2%
General Employees Unit: -16.9%

As noted in the section on the updated fiscal model, agreements reached with non-police employees currently allow for only a 2% adjustment, not nearly enough to address the below market compensation problem. The police agreement as described above may be somewhat more satisfactory, but even the floor of 3.5% may not be enough to address the below market situation.

C. Asset Management

This section updates provides an update on the City's efforts to manage its assets and address critical deferred maintenance across the City.

Infrastructure Maintenance

The City has 169 public facilities which require on-going operational maintenance as well as required capital maintenance. For many years these facilities have not been maintained as necessary and many require immediate attention. In total, $63,642,373 is required to meet this need. Specifically, $11,991,624 towards public facilities within the City's over 40 parks and $51,650,759 for other facilities such as city hall, police station, libraries, neighborhood community centers and senior center. Due to the City's significant capital maintenance backlog and limited financial resources, only 70% of the financial need is included in the City financial forecast. The balance of the funding allocated towards buildings and fixtures is set aside as annual debt service of $1.7 million to finance the necessary seismic retrofit work needed at city hall.

The historic funding allocated to finance the City's right-of-way infrastructure requirements continues to be significantly inadequate. This is due primarily to: 1) restricted funding resources available from State Gas Tax and Measure I funds are inadequate to finance the annual needs to keep the City's right-of-way in safe operable condition; and 2) the City has not historically had adequate non-restricted resources (General Fund monies) available to allocate for this basic service need. As a result, many of the City's arterial and local streets are in desperate need of repair and in many cases require significant capital maintenance or complete reconstruction. Currently $72,700,000 is identified as deferred costs for public right-of-way project. Given constraints in the resources available, again the financial forecast allocates only 70% funding for these identified needs over the restructuring period.

Since the early years of the Great Recession the City eliminated funding for Information Technology (IT) system, hardware and software requirements. In recent years, the City has allocated funds to replace only those systems which have failed, but continues to risk other failures due to funding availability. The lack of investment in the IT infrastructure has left the City with many operational systems exceeding their useful life, beyond manufacture support and/or warranty. More concerning is the lack of a back-up system should the City's network crash and remain unrecoverable. To address these basic service level issues, the City is allocating $11,500,000 over the term of the financial forecast.

Similar to other capital equipment / maintenance needs, the City's vehicle fleet has also not received adequate funding for the replacement vehicles for many years. Much of the City's fleet is well beyond it useful life and has become costly to maintain. Pursuant to the City's efforts to move out of bankruptcy with a more streamlined and efficient government, some of the fleet needs have been resolved through the proposed contracting of services. Specifically, the City will no longer need to fund vehicles associated with fire service, integrated waste, and park maintenance as these services are proposed for contracting. Despite this reduction in funding need, the City must finance the replacement of essential vehicle necessary to provide basic services such as, Police, Facility Maintenance, Public Works, Animal Control, Code Enforcement, Planning and Building Inspection. These are essential services necessary to provide and protect the health, safety and welfare of the City's residents and businesses. The City's financial forecast has identified a deferred capital need for vehicles of $58,300,000. This includes $33,000,000 for new police vehicles and $25,300.000 for general purpose vehicles within the City.

Non-essential Facilities

Like most distressed public agencies, the City doesn't own surplus property. Most of the non-essential facilities owned by the city are parks, community centers and libraries. One could argue, these are in fact, essential to service the residents and businesses in the City.

In addition to the facilities mentioned above, pursuant to the Successor Agency's Long-Range Property Management Plan ("LRPMP"), the Successor Agency will transfer to the City 19 properties at no cost that are designated as "government use properties". The government use properties that will be transferred to the City include the police headquarters, the City's administrative campus, an administrative building, a public golf course, park property, a baseball park, two military facilities (i.e., for the Army Reserve and National Guard), a water well site, several public parking lots and several public rights-of-way. In each instance, the government use properties are not considered surplus or non-essential. The LRPMP includes a chapter on each government use property that provides a detail history and overview of each property. It is anticipated that the Successor Agency will transfer the government use properties to the City during the first or second quarters of calendar year 2016

Redevelopment Agency Wind Down and Successor Agency Proceeds

The City's new revenue projections include supplemental payments that are anticipated from either the County Auditor-Controller or the Successor Agency resulting from land sales by the Successor Agency (formerly known as the Economic Development Agency ["EDA"]) pursuant to the Successor Agency's LRPMP. The Successor Agency's LRPMP, which is anticipated to be approved by the California Department of Finance ("DOF") during December 2015, includes 26 distinct grouping of parcels ("Sites") that have a combined estimated value of approximately $32 million. The Successor Agency anticipates the sale of the 26 sites over an approximately five-year period beginning sometime in 2016. If the estimated values are achieved, the City's share will be approximately 18% of net proceeds, which represents the City's approximate share of the 1% General Tax Levy ("GTL"). It is assumed that approximately 10% of gross proceeds will be allocated to costs of sale. Therefore, under these assumptions the City's share would be equal to 18% of approximately $28.8 million, or approximately $5.2 million. Actual sales prices for the affected 26 sites may vary from the estimated values and thus are likely to affect the amount of land sales proceeds that will be paid to the City. In addition, for sites that are sold the net land sales proceeds will be distributed by the Successor Agency to the County Auditor-Controller. Within five business days of receipt, the County Auditor-Controller will distribute the net land sales proceeds to the affected taxing entities based on their applicable share of the GTL. For sites that are to be transferred to the City for sale to a third party, the net land sales proceeds will be distributed by the City directly to the effected taxing entities based on their applicable share of the GTL.

D. Debt Restructuring

This section provides a status of the negotiations with secured and unsecured creditors.

Secured Debt Obligations

The following updates the status of the City's secured debt obligations.

Western Alliance Equipment Financing, Inc.
The City entered into a Master Equipment Lease / Purchase Agreement No. 19979-06000 with Bank of America, N.A. dated as of December 16, 2009 in the original amount of $527,489.89. The financing was used to acquire a fire alerting system. On March 21, 2012, Bank of America N.A. assigned the agreement to Western Alliance Equipment Finance, Inc. ("Western Alliance"). As of November 30, 2015, there are three equal payments of principal and interest of $44,260.75 remaining to be paid on 12/1/15, 6/1/16 and 12/1/16. To date this obligation has been paid in full and on time by the City.

On October 19, 2015, the City and Western Alliance verbally agreed to the following:

1. The City will make the regularly scheduled payment on December 1, 2015 in the amount of $44,260.70 ($41,402.67 of principal and $2,858.03 of interest)
2. If the effective date of plan confirmation happens on or before June 1, 2016, Western Alliance agrees to restructure the final two payments of $44,260.70 ($85,620.98 of principal) due on June 1, 2016 and December 1, 2016 respectively. The restructured obligation will be fully amortized over a two year period payable on a semi-annual basis at an interest rate of 4.50% and will be dated the effective date of plan confirmation.
3. If the effective date of plan confirmation happens after June 1, 2016, the City agrees to make the payment on June 1, 2016 in the amount of $44,260.70 ($42,334.23 or principal and $1,926.47 of interest)
4. If the effective date of plan confirmation happens after June 1, 2016, Western Alliance agrees to restructure the final payment of $44,260.70 ($43,286.75 of principal) due on December 1, 2016. The restructured obligation will be fully amortized over a two year period payable on a semi-annual basis at an interest rate of 4.50% and will be dated the effective date of plan confirmation.

National Public Finance Guarantee Corporation ("NPFG")

1996 Lease Revenue Bonds (City Hall Project) ("1996 Bonds")

Pursuant to the terms of a Trust Indenture entered into as of December 1, 1996 the San Bernardino Joint Powers Financing Authority (the "Authority") issued Lease Revenue Refunding Bonds (City Hall Project), Series 1996 (the "1996 Bonds") in the original aggregate principal amount of $16,320,000 (currently outstanding in the principal amount of $6,315,000

Principal on the 1996 Bonds is payable each January 1 through and including January 1, 2023. Interest is payable semiannually each July 1 and January 1. The fiscal year payments of principal and interest on the 1996 Bonds average $1,004,818 per year from FY 2017 to FY 2023.

The Parties are currently working to document the settlement proposed in the Plan of Adjustment. The proposed agreement will contain the following general provisions:

a. The original terms and conditions of the Lease Agreement will be reinstated, and the City shall continue to pay to the Trustee the rent and other amounts due and owing as set forth therein.

b. NPFG will provide a surety in the amount of the remaining Reserve Requirement (as defined in the Indenture).

c. The Reserve Fund shall be released in the estimated amount of $1,045,000 and used by the City for capital expenditure purposes.

1999 Refunding Certificates of Participation (1999 Police Station, South Valle and 201 North E Street Projects) ("1999 COPs")

Pursuant to the terms of a Trust Agreement dated September 1, 1999 the City issued Refunding Certificates of Participation (1999 Police Station, South Valle, and 201 North E Street Projects) (the "1999 COPs") in the original aggregate principal amount of $15,480,000 (currently outstanding in the principal amount of $7,920,000) of which approximately $4 million in unexpended proceeds remain (the "Unexpended Proceeds").

Principal on the 1999 COPs is payable each September 1 through and including September 1, 2024. Interest is payable semiannually each March 1 and September 1. The fiscal year payment of principal and interest on the 1999 COPs averages $1,114,911 per year from FY 2017 to FY 2024.

Prior to the City's Petition Date, California state Assembly Bill x1 26 (the "Initial Dissolution Bill"), chaptered and effective on June 28, 2011, caused the dissolution of all redevelopment agencies in California on February 1, 2012. The Common Council elected to serve as the governing body of the Successor Agency to the City's former redevelopment agency (the "Successor Agency"); Pursuant to Section 34173(g) of the Health and Safety Code, the Successor Agency is a public entity separate and independent from the City;

Pursuant to that certain Reimbursement Agreement, dated as of September 29, 1999, by and between the Agency and the City: (i) the Agency agreed to reimburse the City for the payments to be made by the City under the Lease Agreement for 201 North E Street and the Lease Agreement for the South Valle Site (the "Agency Obligation"), of which approximately $4,475,000 in principal remains outstanding and which Agency Obligation is secured by a first and prior pledge of tax increment revenues and a lien thereon to the City, and (ii) the City otherwise agreed to maintain the obligation to pay the remaining portions under the Lease Agreements (the "General Fund Obligation"), of which approximately $3,445,000 in principal remains outstanding;

The Parties are currently working to document the settlement proposed in the Plan of Adjustment. . The proposed agreement will contain the following general provisions:

a. The General Fund Obligation shall be redeemed in full (the "General Fund Payment") using the Unexpended Proceeds

b. Upon payment in full of the General Fund Obligation, the Police Station shall be released as security for the 1999 COPs.

c. Nothing in any agreement will be intended to have any effect upon the Agency Obligation and the Successor Agency's payment of that portion of the 1999 COPs under the Reimbursement Agreement through the Redevelopment Property Tax Trust Fund.

d. The 1999 COPs reserve fund shall be reduced proportionately to reflect the new reserve requirement, taking into account the redemption of the General Fund Payment.

e. Any portion of the Unexpended Proceeds that remains after payment of the General Fund Obligation, plus any additional proceeds that may be released in connection with the reduction of the COP reserve fund, will be released to the City for capital expenditures.

Unsecured Debt Obligations

<u>EEPK / Ambac</u>

The City entered into the Trust Agreement, dated as of October 1, 2005 by and between the City and the Trustee Wells Fargo Bank National Association after a Default Judgement was entered by the Superior Court of the State of California County of San Bernardino on July 11, 2005. The City caused to be issued $50,401,582.90 of Taxable Pension Obligation Bonds, 2005 Series A (the "POBs") remaining in the estimated principal amount of $50,735,658.89 issued as two series. The two series are made up of Series 2005A-1 remaining in the principal amount of $36,050,000 as current interest bonds and Series 2005A-2 remaining in the estimated principal amount of $14,685,658.59, being the accreted value of the capital appreciation bonds as of the August 1, 2012 petition date.

Principal on the POBs is payable each October 1 through and including October 1, 2035. Principal on the current interest bonds is payable each October 1, beginning October 1, 2024 through and including October 1, 2035. Interest on the current interest bonds is payable semiannually each October 1 and April 1. Original principal and accreted interest on the capital appreciation bonds is payable each October 1 through and including October 1, 2024. The fiscal year payments of principal, interest and accreted interest on the POBs begins at $3.5 million in FY 2016 and grows to $4.7 million by FY 2036.

The parties continue to meet in mediation with the most recent meeting being held on November 18th and November 19th, 2015 at San Bernardino city hall. The mediation included the City, EEPK/Ambac and was overseen by Judge Zive.

Similar to the previously filed Recovery Plan, the holder of the POB Claims will receive an unsecured note, in the principal amount of $655,000, with a term 20 years from the Effective Date, that shall provide the following: (i) the note will accrue interest at a rate of 5.64975%, (ii) no payments will be made on principal or interest for the first five years of the note, (iii) interest-only payments will be made semiannually in year six through the term of the note, payable each April 1 and October 1, (iv) principal payments will be made annually, beginning in year eleven of the note, through and including October 1, 2035, payable each October 1, and (v) the present value of principal and interest payments will assume a 5.64975% discount rate based upon semiannual compounding on a 30/360 day basis.

E. Long Range Financial Plan

As a result of additional information from financial audits as well as various restructuring activities, the City has reviewed and updated its twenty-year financial. The following are the key actions and revisions related to updating the financial projections in support of the City's Plan of Adjustment.

The following is an Index to the Areas Updated and the Impact on the LRFP:

1. Baseline Revenues
2. Baseline Expenditures
3. Deferred Obligations
4. Fiscal and Service Stabilization Actions
5. Restructuring Actions
6. Bankruptcy Fund

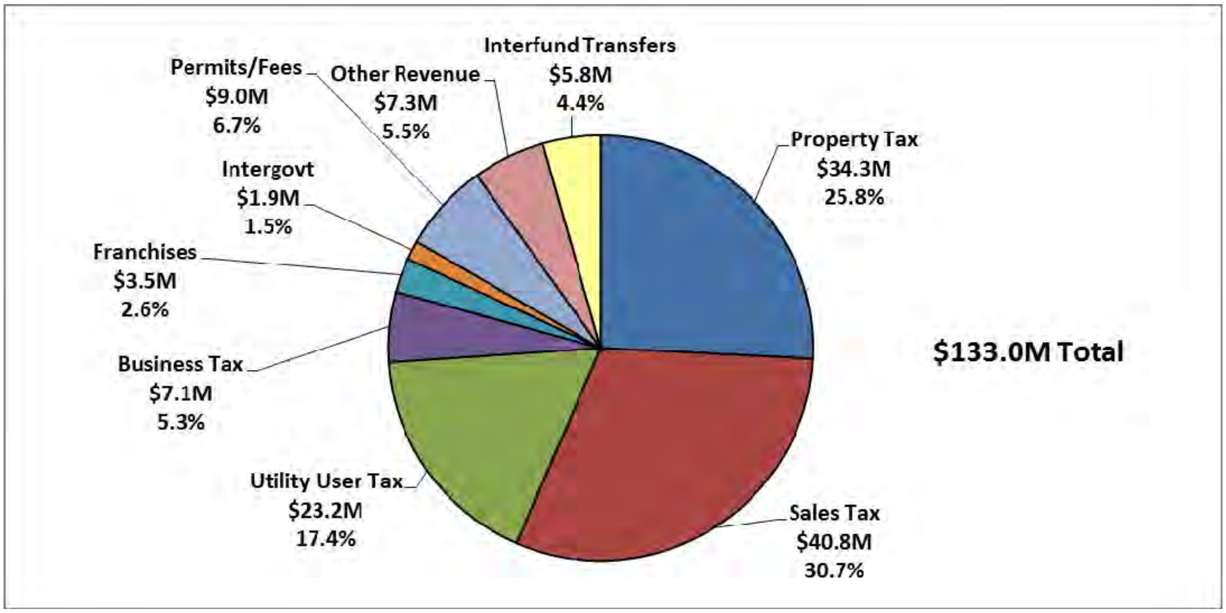
Baseline Revenues

The following represent the assumptions and updates utilized to estimate the baseline revenues.

a. Reviewed Sales Tax Revenue Projections. Obtained latest HdL sales tax reports and verify that model assumptions are still valid. No significant revisions to sales tax assumptions and forecast required.
b. Reviewed state's actions on Triple Flip wind-down. No adjustment to forecast necessary.
c. Reviewed Property Tax Revenue Projections. Obtained latest HdL property tax reports and verify that model assumptions are still valid. No significant revisions to property tax assumptions and forecast required.
d. Update and inclusion of Master Services Agreement (MSA) with Water Department. The recently negotiated MSA with the San Bernardino Water Department provides for the City to receive funds as reimbursement for the Water Department utilizing City assets. The agreement provides that the City will receive from the Water Department Fund, the Sewer Collection Fund, and the Sewer Treatment Fund annual reimbursements of $3,158,890, $1,554,477 and $107,784, respectively. Historically, the Water Department has contributed approximately $3,500,000 annually, and the Sewer Maintenance Fund has transferred to the General Fund $700,000, for an average total of $4,200,000. These amounts will increase over time and the revenues carry forward through the model.

Figure 4 shows the baseline revenues before stabilization and restructuring as estimated in the updated mode.

Figure 4. FY 2015-16 Baseline Revenues Before Stabilization & Restructuring (updated 11-24-15)



Baseline Expenditures

The General Fund Accounts were updated based on the FY 2015-16 authorized budget. The model was updated to reflect new accounts continuing costs, e.g. on-going debt and lease payments. Assumptions were verified based on anticipated FY 2015-16 revenues and expenditures.

Labor Negotiations

The following describes how the model was updated with respect to recently concluded labor negotiations.

a. *Police Officers Association MOU* - The agreement provided for a minimum annual salary increase of 3.5% for five years; enhanced health care; and continuing PERs cost sharing of 9% for fiscal years 2015-16 and 2016-17, and 12% thereafter. Salary and special pay impact in fiscal 2015-16 is $105,500; PERs impact is a cost over baseline model of $41,000 and additional cost of $7,800 for health care. These costs will carry forward through the model.

b. *Police Management Association MOU* - The agreement provided for a minimum annual salary increase of 3.5% for five years; enhanced health care; and continuing PERs cost sharing of 9% for fiscal years 2015-16 and 2016-17, and 12% thereafter. Salary and special pay impact in fiscal 2015-16 is an increase of $189,200; PERs impact is a cost over baseline model of $177,200, and additional cost of $14,700 for health care. These costs will carry forward through the model.

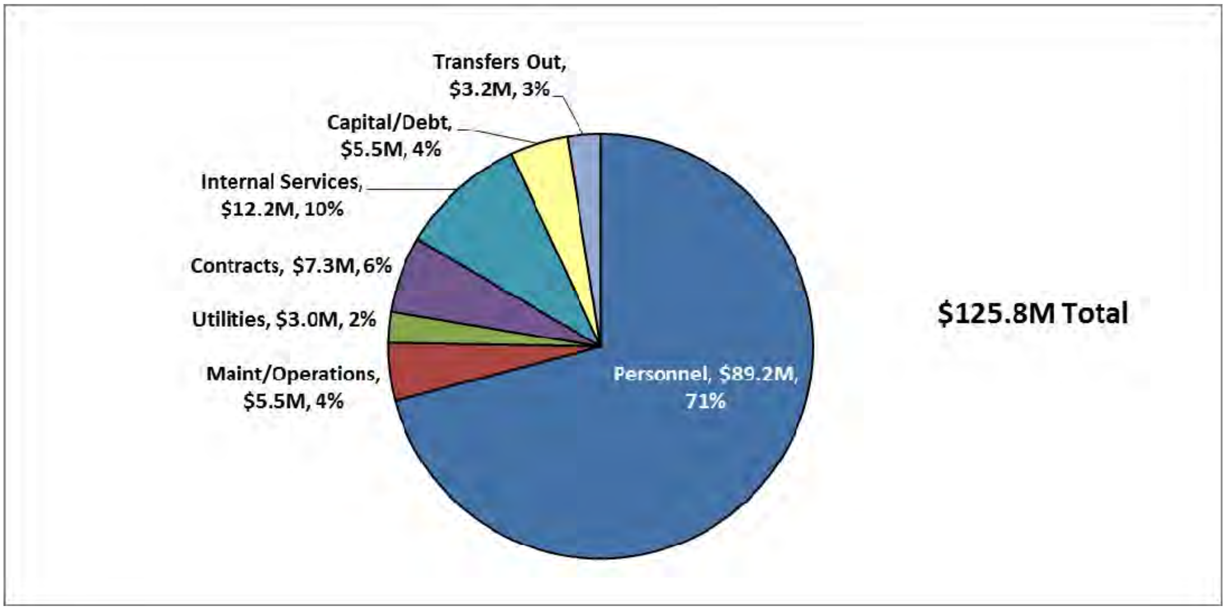
c. *General Unit Employees represented by the International Union of Operating Engineers* - The agreement provided for a minimum salary increase of 2.0% for two years (i) retroactive to July 1, 2015, and (ii) effective July 1, 2016; employee health care increases, with “Employee Only” going to $415 per month (3.92% increase), and “Employee Plus One or More” going to $555 per employee (4.75% increase); and continuing PERs cost sharing of 1.304% (MOU is silent as to any change in PERs contributions). Total impact in fiscal 2015-16 is $258,400. These costs will carry forward through the model.

d. *Middle Management Group* - Final agreement with the Middle Management group has not been reached. Current proposed terms, which have been included in model, are consistent with other non-sworn bargaining units. The agreement is expected to provide for a salary increase of 2.0% for two years (i) retroactive to July 1, 2015, and (ii) effective July 1, 2016; employee health care increases, with “Employee Only” going to $450 per month (10.23% increase), and “Employee Plus One or More” going to $755 per employee (9.55% increase); and continuing PERs cost sharing of 1.304% (MOU is silent as to any change in PERs contributions). These costs will carry forward through the model.

e. Management/Confidential Employees - The agreement provided for a salary increase of 2.0% for two years (i) retroactive to July 1, 2015, and (ii) effective July 1, 2016; employee health care increases, with “Employee Only” going to $975 per month (10.23% increase), and “Employee Plus One or More” going to $1,100 per employee (9.55% increase); and continuing PERs cost sharing of 1.304% (MOU is silent as to any change in PERs contributions). Total impact in fiscal 2015-16 is $313,900. These costs will carry forward through the model.

Figure 5 shows baseline expenditures before restructuring as estimated in the updated model.

Figure 5. FY 2015-16 Baseline Expenditures Before Stabilization and Restructuring (updated Nov-2015)



Deferred Obligations

This includes amounts for claims outstanding at the time of filing. Primarily accounts payables, litigation claims, and unsecured debt obligations. The City has reviewed and updated the amounts it anticipates impairing under the bankruptcy filing. Outstanding litigation claims and other general liability claims (including accounts payable amounts) are estimated at approximately $130 million. Pension Obligation Bond debt is listed at approximately $10 million. Subject to a negotiated settlement, this amount is expected to be paid at 1% of value.

Fiscal and Service Stabilization Actions

The model was updated for revised capital improvement (CIP) funding requirements. The model now reflects updated cost of CIP projects for buildings, public right-of-ways, parks, information technology, and vehicles as follows:

1. The City has identified capital needs of $51,700,000 for buildings, versus $59,400,000 in the original forecast. The current need for parks and park facilities is $12,000,000, versus $8,400,000 in the previous model. Currently $72,700,000 is identified as deferred costs for public right-of-way project, where the initial estimate was $55,200,000. Given constraints in the resources available, currently, in the model, the City is funding 70% of these identified needs over the remaining restructuring period.
2. Information Technology capital requirements over the term of the model are $11,500,000, which reflects improvements from the original model funding of $24,000,000. This is in part due to the outsourcing of fire and waste removal services.

3. The City has identified a deferred capital need for vehicles of $58,300,000 based on newly-prepared comprehensive vehicle replacement plan. This includes $33,000,000 for new police vehicles and $25,300.000 for general purpose vehicles within the City. This compares to the original budget for police of $19,000,000 and for general vehicles of $3,000,000.

The model also reflects a developed strategy for organizational and service improvements. These restructuring costs focused on improving staffing through salary increases, addressing issues related to the City Charter and improving the organization efficiency. The estimates and timing of these activities have not changed.

The City recently adopted an initiative to increase police department capacity through a Five Year Resources Plan. This enhanced staffing strategy was developed and added to the restructuring plan. This plan calls for up to 60 new police officers and supporting management and administrative staff. The plan is to be implemented over five years. Cost of the program if fully implemented would total $227,500,000 over the forecast period, however, the LRFP funds 70% of this amount or $159,200,000. In addition to the staffing costs, the current capital budgets for information technology and vehicle budgets support the plan.

Miscellaneous Restructuring Actions Items

The model also reflects the following miscellaneous restructuring items:

1. The financial impact of the State's actions regarding SBETA's operations and future funding. The City has provided funding for SBETA, over the last four months of approximately $125,000 per month, for a total of $750,000. The impact of this is to include an expense and off-setting reimbursement of the same amount from the State of California. The ultimate treatment of this cost will be based on the state's determination of whether SBETA complied with state requirements. These are one-time costs.

2. The financial impact of outsourcing Solid Waste Services, including the impact of new revenues and cost savings, if any. The Integrated Waste Fund had operating revenues of $26,644,800 in FY 2014-15 (unaudited). Net revenues over expenditures were $4,159,900 for the same period. The winning proposal was from Burrtec for solid waste and recycling services, street sweeping services and right-of-way clean-up. The terms included an initial franchise fee of $5,000,000 and annual franchise fees of approximately $5,000,000. In addition, Burrtec will purchase all of the City's waste and street-sweeping vehicles for $12,225,000. The annual fees will be on-going, with increases in franchise fees tied to rate increases (based on CPI).

3. An evaluation of the projected expense related to the Remediation of Waste Site used by Integrated Waste. The Integrated Waste Fund operations utilized a County owned dump site in disposing of waste in the early 1990s. Subsequently the dump site was closed, the state, however, identified and assessed users for the cost of remediation. The process is on-going; however, a major phase is scheduled for FY 2016-17. The FY 2011-12 CAFR auditors required the City to reserve $5,000,000 for future clean-up costs in the Waste

Management restricted fund. Upon completion of the contract service, this fund will have sufficient cash to fund the entire remediation project.

4. A determination of any anticipated revenues that should be included in the model based on data received related to Successor Agency Long Range Property Management Plan. Property depositions identified will impact the model by an estimated $1 million per year in years 2017 to 2021.

5. Reviewed current negotiations and possible settlement scenarios for the pension obligation bonds. (Status of City proposed settlement remains unchanged.)

6. Incorporated the terms of the current Secured Bond Holder Restructuring terms. The City has agreed to defease the General Fund portions of the 1999 COPS. This will result in a savings of $94,737 in FY 2015-16 (one-half year), and an average savings of $469,418 per year until scheduled maturity in FY 2024-25.

7. Incorporated the financial implications of annexation of Fire Services to the San Bernardino County Fire District as follows:

    a. Projected savings following annexation are $31,100,000, $33,000,000, and $34,000,000 in Fiscal Years 2016-17, 2017-18, and 2018-19 respectively. These represent direct costs of service. Additionally, the City anticipates it will forgo approximately $24,000,000 per year in revenues, including property tax receipts transferred to the County Fire District, and as well as CFD revenue and revenues from charges for services.
    b. As part of annexation, certain loans related to the fire department operations will be paid by the City. There are two significant loans which will continue; the iBank loan on the Verdemont fire station, the Burgess note on the fire maintenance facility. These obligations are currently reflected in the model, so no adjustment is necessary. These on-going debt obligations are approximately $200,000 per year, plus a balloon payment of $1,100,000 in fiscal 2012 for Burgess Loan.
    c. In addition to the debt service costs noted above, the City will be responsible for the unfunded pension liability for the fire employees moving to the County fire district. The current estimate is an annual expense of $2,367,442; this has been reflected in the model.

Bankruptcy Fund

The fund is established to provide a clear and distinct revenue and expenditure control for all bankruptcy-related cash inflows and outflows. Future costs were obtained and updated in the model. The City has paid out $4,055,000 in FY 2014-15 for legal expenses and $1,421,000 for consultants. Combined costs are projected to total $5,000,000 for FY 2015-2016, $4,000,000 for 2016-17 and $1,000,000 for 2017-18. The model also anticipates employee and bargaining unit claims related to bankruptcy impositions of approximately $14,000,000.

Long Range Financial Plan

Figure 6 shows the forecast General Fund balance under the restructuring plan in the 20 year model, which is equal to or greater than the reserve goal of 15% of total expenditures.

Figure 6. General Fund Balance (updated 11-24-15)

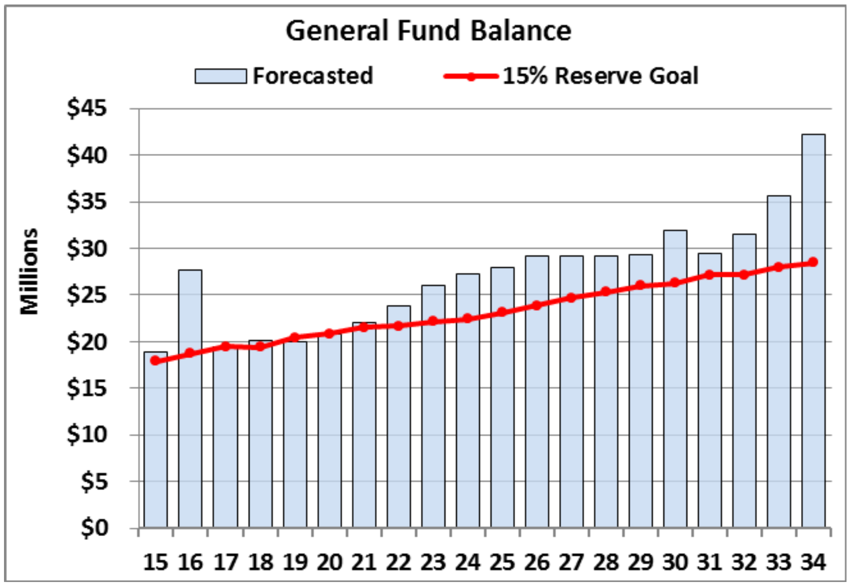


Figure 7 shows major fiscal and service stabilization components in the City's Recovery Plan.

Figure 7. Major Fiscal and Service Stabilization Elements (updated 11-24-15)

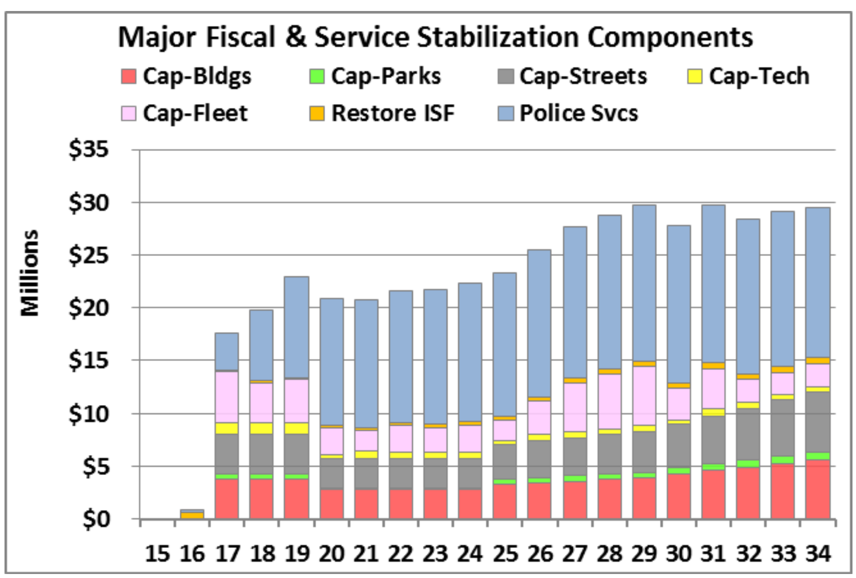


Figure 8 shows the major restructuring elements contained in the City's Recovery Plan. The large portion of debt restructuring in FY 2015-16 includes the restructuring of an estimated $130 million in general unsecured claims (excluding POB's) at one cent on the dollar.

Figure 8. Major Restructuring Elements (updated 11-24-15)

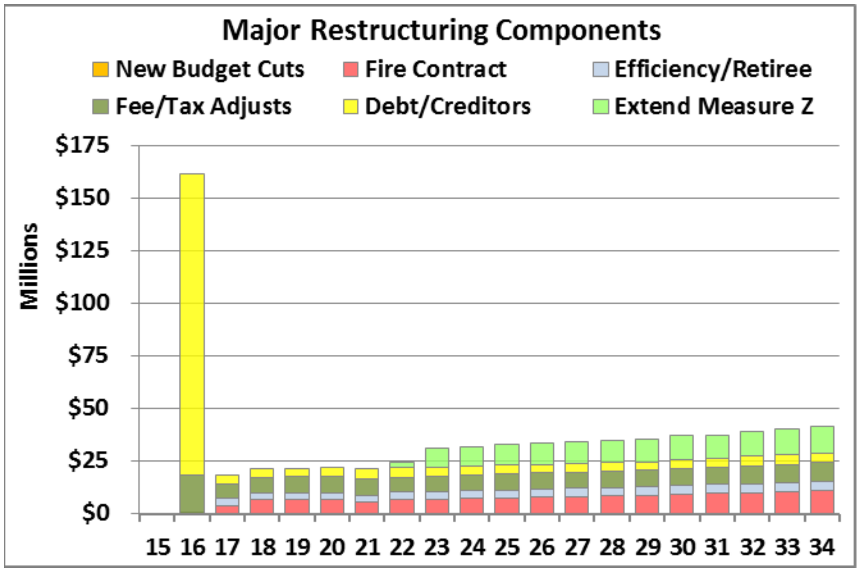


Table 8 provides the updated Long Range Financial Plan.

Table 8. San Bernardino Long Range Financial Plan (updated 11-24-15)

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
BASELINE REVENUES										
Property Taxes	30,897,977	34,320,684	33,117,626	33,554,276	35,458,455	36,767,416	38,051,155	39,042,011	40,414,822	41,490,380
Sales and Use Tax	39,037,406	41,888,847	39,487,820	41,609,528	44,082,776	45,540,069	47,043,374	46,379,917	41,041,872	40,276,441
Utility Users Tax	22,837,500	23,180,063	23,233,666	23,680,430	24,185,860	24,548,648	24,916,877	25,290,630	25,669,990	25,729,352
Franchise Fees	3,477,586	3,505,518	3,529,440	3,606,549	3,692,226	3,759,346	3,827,825	3,897,695	3,968,984	3,997,177
Other Taxes	10,398,805	10,410,000	10,466,290	10,760,767	11,124,322	11,358,825	11,591,746	11,829,664	12,072,693	12,028,183
Licenses and Permits	2,814,317	3,115,540	3,170,440	3,202,331	3,289,277	3,316,187	3,395,492	3,423,748	3,505,462	3,512,381
Fines and Penalties	2,008,220	1,820,380	1,846,068	1,872,162	1,898,670	1,925,598	1,952,955	1,980,747	2,008,982	2,037,669
Use Of Money and Property	695,934	512,570	607,984	531,209	545,618	550,713	566,758	585,882	610,952	640,593
Intergovernmental	3,168,812	1,939,844	1,954,043	1,968,399	1,982,914	1,997,588	2,012,425	2,027,426	2,042,592	2,057,927
Charges For Services	6,316,394	5,855,548	5,466,882	5,617,326	5,623,502	5,779,549	5,785,554	5,947,420	5,953,239	6,121,149
Miscellaneous	4,166,848	628,020	634,400	640,846	647,359	653,938	660,586	667,302	674,088	680,944
Transfers in - Sewer Maintenance	700,000	-	-	-	-	-	-	-	-	-
Transfers in - Refuse Fund	2,200,000	1,870,000	-	-	-	-	-	-	-	-
Transfers in - Water Fund	-	3,158,890	3,222,068	3,286,509	3,352,239	3,419,284	3,487,670	3,557,423	3,628,572	3,701,143
Transfers in - Sewer Treatment	-	107,784	109,940	112,138	114,381	116,669	119,002	121,382	123,810	126,286
Transfers in - Sewer Collection	-	704,477	1,568,567	1,599,938	1,631,937	1,664,575	1,697,867	1,731,824	1,766,461	1,801,790
Transfers in - Other Funds	-	-	-	-	-	-	-	-	-	-
Total Transfers In	*2,900,000*	*5,841,151*	*4,900,574*	*4,998,586*	*5,098,557*	*5,200,528*	*5,304,539*	*5,410,630*	*5,518,842*	*5,629,219*
Total Revenues	128,719,799	133,018,165	128,415,233	132,042,408	137,629,535	141,398,405	145,109,286	146,483,072	143,482,519	144,201,415
BASELINE EXPENDITURES										
Salaries-Sworn	35,873,759	36,375,759	37,587,557	38,839,927	40,134,234	41,471,889	42,716,046	43,997,527	45,317,453	46,676,977
Salaries-Miscellaneous	19,300,543	19,308,685	19,694,859	20,088,756	20,490,531	20,900,342	21,318,348	21,744,715	22,179,610	22,623,202
Total Salaries	55,174,302	55,684,444	57,282,415	58,928,683	60,624,765	62,372,231	64,034,394	65,742,243	67,497,063	69,300,179
Special Salaries	946,895	1,178,839	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319
Overtime	8,732,840	8,687,926	8,787,867	9,080,667	9,383,273	9,696,013	9,986,893	10,286,500	10,595,095	10,912,948
Other Pay	2,241,550	2,539,717	3,088,324	3,153,117	3,219,353	3,287,066	3,354,937	3,424,268	3,495,091	3,567,441
PERS Retiree Health	411,250	-	-	-	-	-	-	-	-	-
PARS Retirement	-	-	-	-	-	-	-	-	-	-
PERS Retirement-Fire	3,506,325	4,890,357	5,473,282	6,099,603	6,635,283	7,154,809	7,306,206	7,505,426	7,710,193	7,920,661
PERS Retirement-Police	7,091,185	9,669,500	10,870,961	11,452,523	12,557,118	13,638,537	13,918,815	14,294,652	14,680,909	15,077,871
PERS Retirement-Misc.	3,652,337	4,434,392	4,600,052	4,913,354	5,278,414	5,656,090	5,704,826	5,818,649	5,912,518	6,030,495
Total PERS Retirement	*14,249,846*	*18,994,248*	*20,944,294*	*22,465,480*	*24,470,816*	*26,449,436*	*26,929,847*	*27,618,728*	*28,303,620*	*29,029,027*
Health and Life Insurance	5,953,217	5,256,112	5,361,234	5,468,459	5,577,828	5,689,385	5,803,173	5,919,236	6,037,621	6,158,373
Other Benefits	982,520	1,074,969	1,038,190	1,068,027	1,098,767	1,130,438	1,160,564	1,191,517	1,223,321	1,256,001
Budgeted Vacancy Savings	(13,922,305)	(4,199,999)	(3,434,568)	(3,566,802)	(3,720,518)	(3,875,347)	(3,966,859)	(4,068,663)	(4,172,315)	(4,279,651)
Total Salaries & Benefits	74,770,115	89,216,256	94,266,076	97,795,951	101,852,604	105,947,541	108,501,268	111,312,147	114,177,815	117,142,636
Maintenance and Operations	9,899,065	5,507,901	6,446,541	5,656,954	5,769,575	5,084,448	5,185,619	5,288,814	5,394,072	5,501,435
Contract Services	10,695,329	7,306,744	7,852,879	8,009,936	8,170,135	8,333,538	8,500,209	8,670,213	8,843,617	9,020,489
Internal Service Charges	10,397,449	12,157,188	11,511,229	11,852,135	12,203,294	12,565,018	12,929,142	13,303,934	13,689,707	14,086,787
Utilities	3,896,706	2,973,651	3,062,845	3,154,714	3,249,338	3,346,801	3,447,188	3,550,586	3,657,086	3,766,780
Capital Outlay	725,864	-	-	-	-	-	-	-	-	-
Debt Service - Principal- Misc.	1,304,460	1,335,880	121,172	124,577	128,077	131,676	135,376	139,181	-	-
Debt Service - Principal- 2005 POBS	879,835	856,483	833,750	807,687	785,899	761,981	738,961	716,259	698,352	675,548
Debt Service - Principal- 1996 COP	610,000	645,000	685,000	720,000	760,000	805,000	850,000	900,000	950,000	-
Debt Service - Principal- 1999 COP	275,000	290,000	305,000	325,000	340,000	360,000	380,000	400,000	420,000	445,000
Total Debt Service Principal	3,069,295	3,127,363	1,944,922	1,977,264	2,013,976	2,058,657	2,104,337	2,155,440	2,068,352	1,120,548
Debt Service - Interest- Misc.	80,070	44,357	22,557	18,741	14,817	10,784	6,636	2,373	-	-
Debt Service - Interest- 2005 POBS	2,562,532	2,637,411	2,714,478	2,791,208	2,867,995	2,946,913	3,029,933	3,107,635	3,185,542	3,263,346
Debt Service - Interest- 1996 COP	394,115	359,955	323,190	284,145	43,105	199,785	153,900	105,450	54,150	-
Debt Service - Interest- 1999 COP	212,988	197,450	181,088	163,763	145,475	126,225	105,875	84,425	61,875	38,088
Total Debt Service Interest	3,249,705	3,239,173	3,241,312	3,257,856	3,071,392	3,283,707	3,296,344	3,299,883	3,301,567	3,301,434
Lease Payments	216,021	143,521	99,261	55,000	55,000	375,833	375,833	375,833	-	-
Grand Total Debt Service	6,535,022	6,510,057	5,285,496	5,290,120	5,140,368	5,718,197	5,776,514	5,831,156	5,369,919	4,421,982
Cost Recovery - CIP Projects	-	(986,904)	(1,016,511)	(1,047,006)	(1,078,417)	(1,110,769)	(1,144,092)	(1,178,415)	(1,213,767)	(1,250,180)
Transfers Out-Library Fund	1,350,000	2,176,604	2,220,136	2,264,539	2,309,830	2,356,026	2,403,147	2,451,210	2,500,234	2,550,238
Transfers Out-Animal Control Fund	588,090	591,804	995,324	1,015,230	1,035,535	1,056,246	1,077,371	1,098,918	1,120,896	1,143,314
Transfers Out-Assessment Districts	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	148,810	233,257
Transfers Out-Cemetery Fund	237,481	222,324	226,770	231,306	235,932	240,651	245,464	250,373	255,380	260,488
Transfers Out-Baseball Stadium Fund	85,643	88,160	89,923	91,722	93,556	95,427	97,336	99,282	101,268	103,293
Total Transfers Out	2,341,214	3,158,892	3,612,154	3,682,797	3,754,853	3,828,350	3,903,317	3,979,783	4,126,589	4,290,591
Total Expenditures	119,260,764	125,843,785	131,020,707	134,395,599	139,061,750	143,713,125	147,099,165	150,758,218	154,045,037	156,980,520
Operating (Deficits) or Surplus	9,459,035	7,174,380	(2,605,474)	(2,353,191)	(1,432,214)	(2,314,720)	(1,989,880)	(4,275,146)	(10,562,518)	(12,779,106)

ADJUSTMENTS TO BASELINE:	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
RESTRUCTURING - NEW REVENUES										
Increased Revenues:										
New Waste Management Franchise	-	5,833,333	5,000,000	5,625,000	5,753,125	5,884,453	6,019,064	6,157,041	6,298,467	6,443,429
Water/Sewer Utilities Franchise Fee	-	-	-	-	-	-	-	-	-	-
Street Sweeping Parking Violations	-	-	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
TOT Audits	-	-	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
Master Fees & Charges Update	-	200,000	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
Measure Z Sales Tax Extension	-	-	-	-	-	-	-	2,216,137	9,157,079	8,986,300
Proceeds from IW Vehicle Sale & CIP	-	12,225,000	250,000	256,250	262,656	269,223	275,953	282,852	289,923	297,171
EDA Land Disposition	-	51,533	1,082,096	1,082,096	979,031	979,031	979,031	-	-	-
Other Revenue Increases	-	-	-	-	-	-	-	-	-	-
Total Increased Revenues	-	18,309,866	6,932,096	7,578,346	7,625,187	7,778,841	7,936,336	9,334,875	16,441,286	16,440,112
BASELINE REVENUES	128,719,799	133,018,165	128,415,233	132,042,408	137,629,535	141,398,405	145,109,286	146,483,072	143,482,519	144,201,415
ADJUSTED GF REVENUES	128,719,799	151,328,031	135,347,329	139,620,755	145,254,723	149,177,246	153,045,622	155,817,947	159,923,805	160,641,526
RESTRUCTURING/SERVICE DELIVERY										
Cost Savings-Contracting/Efficiencies:										
Contract Fire & EMS Services	-	-	6,419,474	9,058,411	9,069,870	9,051,383	7,876,222	9,216,814	9,492,455	9,775,445
Fire's Legency CalPERs Pension Cost			(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)
Contract Business License Admin	-	-	775,000	794,375	814,234	834,590	855,455	876,841	898,762	921,231
Contract Fleet Maintenance	-	-	400,000	410,000	420,250	430,756	441,525	452,563	463,877	475,474
Contract Soccer Complex Mgt & Admin	-	-	280,000	287,000	294,175	301,529	309,068	316,794	324,714	332,832
Contract Custodial Maintenance	-	-	150,000	153,750	157,594	161,534	165,572	169,711	173,954	178,303
Contract Graffiti Abatement	-	-	132,000	135,300	138,683	142,150	145,703	149,346	153,080	156,907
Other Efficiency Improvements	-	-	1,000,000	1,025,000	1,050,625	1,076,891	1,103,813	1,131,408	1,159,693	1,188,686
Health Care Savings - Retirees	-	370,123	367,458	360,687	356,117	348,549	335,087	334,841	323,114	325,240
Total Cost Savings	-	370,123	7,156,490	9,857,082	9,934,106	9,979,940	8,865,003	10,280,878	10,622,208	10,986,676
BASIC LEVEL SERVICE RECOVERY										
Cost Increases-Capital/Operations:										
Capital Investment-Building & Fixtures	-	-	3,752,331	3,752,331	3,752,331	2,748,011	2,748,011	2,748,011	2,748,011	2,748,011
Capital Investment-Parks	-	-	466,341	466,341	466,341	233,170	233,170	233,170	233,170	233,170
Capital Investment-Public Right-Of-Way	-	-	2,649,500	2,859,500	2,649,500	2,670,263	2,279,536	1,916,936	2,226,826	910,000
Capital Investment-IT Infrastructure	-	-	1,117,099	1,103,247	1,141,740	315,125	716,993	558,549	551,624	570,870
Capital Investment-Fleet-Fire	-	-	-	-	-	-	-	-	-	-
Capital Investment-Fleet-Police	-	-	3,024,800	2,507,500	2,523,300	1,494,800	943,500	1,662,370	1,481,617	1,501,250
Capital Investment-Fleet-Other	-	-	1,846,039	1,328,272	1,552,716	1,138,091	945,701	882,713	871,516	1,051,153
ISF-Workers' Comp-Deficit Recovery	-	-	20,000	40,000	60,000	80,000	100,000	120,000	140,000	160,000
ISF-General Liability-Deficit Recovery	-	-	10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000
ISF-Comprehensive Leave Obligation	-	600,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Organizational/Service Improvements	-	1,650,000	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274	1,194,052	1,229,874	1,266,770
Police Services Master Plan	-	167,962	2,473,244	4,742,742	6,665,201	8,391,815	8,532,554	8,735,389	8,958,018	9,201,967
Total Cost Increases	-	2,417,962	16,489,354	17,980,832	20,033,856	18,336,784	17,808,740	18,211,191	18,610,657	17,823,192
NET COST INCREASE (SERVICE RECOVERY LESS RESTRUCTURING)	-	2,047,838	9,332,864	8,123,751	10,099,751	8,356,845	8,943,737	7,930,314	7,988,449	6,836,516
BASELINE EXPENDITURES	119,260,764	125,843,785	131,020,707	134,395,599	139,061,750	143,713,125	147,099,165	150,758,218	154,045,037	156,980,520
ADJUSTED GF EXPENDITURES	119,260,764	127,891,623	140,353,571	142,519,350	149,161,500	152,069,970	156,042,903	158,688,532	162,033,486	163,817,036
RESTRUCTURING OF SECURED AND UNSECURED OBLIGATIONS										
Unpaid POB Obligation	-	10,027,094	-	-	-	-	-	-	-	-
Unpaid General Claim Obligations	-	130,000,000	-	-	-	-	-	-	-	-
CALPERs Catch-up Payments	-	-	400,000	400,000	400,000	400,000	400,000	-	-	-
Total Payments to be Restructured	-	140,027,094	400,000	400,000	400,000	400,000	400,000	-	-	-
Restructuring Savings-Bonds/Creditors:										
General Unsecured Bond Obligations	-	13,520,988	3,548,228	3,598,894	3,653,894	3,708,894	3,731,888	3,786,888	3,846,888	3,901,888
General Secured Bonds Obligations	-	487,450	518,911	465,888	474,038	486,225	861,708	860,258	481,875	483,088
Restructured General Claim Obligations	-	128,700,000	-	-	-	-	-	-	-	-
Total Restructuring Savings	-	142,708,438	4,067,139	4,064,782	4,127,932	4,195,119	4,593,596	4,647,146	4,328,763	4,384,976
Net Savings-Secured/Unsecured Oblig		2,681,344	3,667,139	3,664,782	3,727,932	3,795,119	4,193,596	4,647,146	4,328,763	4,384,976
Total Restructuring Resources	-	161,388,427	18,155,726	21,500,210	21,687,225	21,953,900	21,394,935	24,262,900	31,392,257	31,811,763
Operating Results after Restructuring	9,459,035	26,117,752	(1,339,102)	766,187	(178,846)	902,396	1,196,316	1,776,562	2,219,082	1,209,466
Beginning Cash Balance	9,368,000	18,827,035	27,719,786	19,380,684	20,146,871	19,968,025	20,870,421	22,066,737	23,843,298	26,062,381
Transfer Out-Bankruptcy Reserve	-	(17,225,000)	(7,000,000)	-	-	-	-	-	-	-
Ending Cash Balance	18,827,035	27,719,786	19,380,684	20,146,871	19,968,025	20,870,421	22,066,737	23,843,298	26,062,381	27,271,847
Balance as % of Total Expense	15.8%	22.1%	14.2%	14.5%	13.7%	14.1%	14.5%	15.5%	16.5%	17.1%
Balance Goal	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
BASELINE REVENUES										
Property Taxes	41,889,372	43,474,219	45,474,915	46,810,390	48,416,034	49,866,074	51,581,630	51,832,126	54,161,890	56,427,165
Sales and Use Tax	42,298,990	44,787,228	46,265,206	47,791,958	49,369,093	50,998,273	50,047,155	52,560,356	55,652,219	57,488,743
Utility Users Tax	26,224,106	26,783,826	27,185,584	27,593,368	28,007,268	28,427,377	28,493,115	29,041,014	29,660,858	30,105,771
Franchise Fees	4,085,520	4,183,598	4,260,734	4,339,448	4,419,774	4,501,748	4,534,952	4,636,314	4,748,761	4,837,524
Other Taxes	12,357,243	12,766,787	13,038,226	13,307,376	13,582,354	13,863,293	13,815,576	14,193,492	14,665,685	14,980,459
Licenses and Permits	3,603,671	3,646,117	3,732,811	3,765,383	3,854,736	3,888,904	3,955,003	3,998,937	4,106,825	4,144,298
Fines and Penalties	2,066,814	2,096,426	2,126,513	2,157,083	2,188,145	2,219,708	2,251,780	2,284,370	2,317,487	2,351,141
Use Of Money and Property	660,287	674,213	694,382	703,497	711,862	720,876	755,393	740,351	769,110	819,011
Intergovernmental	2,073,432	2,089,108	2,104,959	2,120,986	2,137,192	2,153,577	2,170,146	2,186,899	2,203,839	2,220,969
Charges For Services	6,126,767	6,300,954	6,306,354	6,487,062	6,492,226	6,679,707	6,684,618	6,879,134	6,883,773	7,085,597
Miscellaneous	687,870	694,869	701,939	709,083	716,300	723,593	730,961	738,405	745,926	753,526
Transfers in - Sewer Maintenance	-	-	-	-	-	-	-	-	-	-
Transfers in - Refuse Fund	-	-	-	-	-	-	-	-	-	-
Transfers in - Water Fund	3,775,166	3,850,669	3,927,683	4,006,236	4,086,361	4,168,088	4,251,450	4,336,479	4,423,209	4,511,673
Transfers in - Sewer Treatment	128,812	131,388	134,016	136,696	139,430	142,219	145,063	147,964	150,924	153,942
Transfers in - Sewer Collection	1,837,826	1,874,582	1,912,074	1,950,315	1,989,322	2,029,108	2,069,690	2,111,084	2,153,306	2,196,372
Transfers in - Other Funds	-	-	-	-	-	-	-	-	-	-
Total Transfers In	*5,741,804*	*5,856,640*	*5,973,772*	*6,093,248*	*6,215,113*	*6,339,415*	*6,466,203*	*6,595,527*	*6,727,438*	*6,861,987*
Total Revenues	147,815,874	153,353,986	157,865,396	161,878,882	166,110,097	170,382,545	171,486,531	175,686,926	182,643,812	188,076,189
BASELINE EXPENDITURES										
Salaries-Sworn	48,077,286	49,519,605	51,005,193	52,535,348	54,111,409	55,734,751	57,406,794	59,128,998	60,902,867	62,729,953
Salaries-Miscellaneous	23,075,666	23,537,179	24,007,923	24,488,081	24,977,843	25,477,400	25,986,948	26,506,687	27,036,820	27,577,557
Total Salaries	71,152,952	73,056,784	75,013,116	77,023,430	79,089,252	81,212,151	83,393,742	85,635,684	87,939,688	90,307,510
Special Salaries	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319
Overtime	11,240,336	11,577,546	11,924,873	12,282,619	12,651,097	13,030,630	13,421,549	13,824,196	14,238,922	14,666,089
Other Pay	3,641,350	3,716,855	3,793,991	3,872,794	3,953,303	4,035,555	4,119,590	4,205,447	4,293,169	4,382,798
PERS Retiree Health	-	-	-	-	-	-	-	-	-	-
PARS Retirement	-	-	-	-	-	-	-	-	-	-
PERS Retirement-Fire	8,120,644	8,325,686	8,518,593	8,697,963	8,899,004	9,123,377	9,333,939	8,948,468	9,171,259	8,826,567
PERS Retirement-Police	15,452,953	15,837,413	16,196,641	16,527,806	16,901,702	17,321,626	17,712,864	16,904,969	17,319,022	16,591,512
PERS Retirement-Misc.	6,104,579	6,202,812	6,302,539	6,379,243	6,456,503	6,534,311	6,638,697	5,815,124	5,877,026	5,497,026
Total PERS Retirement	*29,678,176*	*30,365,910*	*31,017,774*	*31,605,012*	*32,257,210*	*32,979,314*	*33,685,500*	*31,668,561*	*32,367,307*	*30,915,105*
Health and Life Insurance	6,281,541	6,407,171	6,535,315	6,666,021	6,799,342	6,935,328	7,074,035	7,215,516	7,359,826	7,507,022
Other Benefits	1,289,581	1,324,086	1,359,543	1,395,978	1,433,419	1,471,894	1,511,434	1,552,067	1,593,825	1,636,739
Budgeted Vacancy Savings	(4,386,057)	(4,496,186)	(4,607,120)	(4,717,773)	(4,833,391)	(4,954,238)	(5,076,950)	(5,093,307)	(5,220,935)	(5,265,242)
Total Salaries & Benefits	120,096,198	123,150,486	126,235,809	129,326,400	132,548,550	135,908,954	139,327,218	140,206,482	143,770,121	145,348,341
Maintenance and Operations	5,610,946	5,722,647	5,836,582	5,952,796	6,071,334	6,192,242	6,315,569	6,441,363	6,569,672	6,700,547
Contract Services	9,200,899	9,384,917	9,572,616	9,764,068	9,959,349	10,158,536	10,361,707	10,568,941	10,780,320	10,995,926
Internal Service Charges	14,495,507	14,916,210	15,349,252	15,794,996	16,253,818	16,726,104	17,212,251	17,712,671	18,227,784	18,758,025
Utilities	3,879,765	3,996,138	4,116,003	4,239,463	4,366,627	4,497,605	4,632,512	4,771,466	4,914,588	5,062,003
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- Misc.	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- 2005 POBS	926,283	2,115,000	2,300,000	2,500,000	2,705,000	2,930,000	3,170,000	3,420,000	3,685,000	3,970,000
Debt Service - Principal- 1996 COP	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- 1999 COP	470,000	-	-	-	-	-	-	-	-	-
Total Debt Service Principal	1,396,283	2,115,000	2,300,000	2,500,000	2,705,000	2,930,000	3,170,000	3,420,000	3,685,000	3,970,000
Debt Service - Interest- Misc.	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest- 2005 POBS	3,076,496	1,947,147	1,822,909	1,687,837	810,101	1,382,800	706,266	1,025,703	825,768	610,357
Debt Service - Interest- 1996 COP	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest- 1999 COP	12,925	-	-	-	-	-	-	-	-	-
Total Debt Service Interest	3,089,421	1,947,147	1,822,909	1,687,837	810,101	1,382,800	706,266	1,025,703	825,768	610,357
Lease Payments	-	-	-	-	-	-	-	-	-	-
Grand Total Debt Service	4,485,704	4,062,147	4,122,909	4,187,837	3,515,101	4,312,800	3,876,266	4,445,703	4,510,768	4,580,357
Cost Recovery - CIP Projects	(1,287,686)	(1,326,316)	(1,366,106)	(1,407,089)	(1,449,302)	(1,492,781)	(1,537,564)	(1,583,691)	(1,631,202)	(1,680,138)
Transfers Out-Library Fund	2,601,243	2,653,268	2,706,333	2,760,460	2,815,669	2,871,983	2,929,422	2,988,011	3,047,771	3,108,726
Transfers Out-Animal Control Fund	1,166,181	1,189,504	1,213,294	1,237,560	1,262,311	1,287,558	1,313,309	1,339,575	1,366,367	1,393,694
Transfers Out-Assessment Districts	262,736	293,469	325,337	358,216	392,295	427,617	434,390	496,300	535,465	573,087
Transfers Out-Cemetery Fund	265,698	271,012	276,432	281,961	287,600	293,352	299,219	305,203	311,307	317,533
Transfers Out-Baseball Stadium Fund	105,359	107,467	109,616	111,808	114,044	116,325	118,652	121,025	123,445	125,914
Total Transfers Out	4,401,217	4,514,720	4,631,013	4,750,005	4,871,920	4,996,835	5,094,992	5,250,114	5,384,355	5,518,955
Total Expenditures	160,882,550	164,420,950	168,498,078	172,608,476	176,137,396	181,300,294	185,282,950	187,813,048	192,526,406	195,284,016
Operating (Deficits) or Surplus	(13,066,676)	(11,066,964)	(10,632,682)	(10,729,594)	(10,027,299)	(10,917,749)	(13,796,419)	(12,126,122)	(9,882,594)	(7,207,827)

ADJUSTMENTS TO BASELINE:	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
RESTRUCTURING - NEW REVENUES										
Increased Revenues:										
New Waste Management Franchise	6,592,014	6,744,315	6,400,423	6,560,433	6,724,444	6,892,555	7,064,869	7,241,491	7,422,528	7,608,091
Water/Sewer Utilities Franchise Fee	-	-	-	-	-	-	-	-	-	-
Street Sweeping Parking Violations	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
TOT Audits	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
Master Fees & Charges Update	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
Measure Z Sales Tax Extension	9,437,562	9,992,727	10,322,486	10,663,129	11,015,012	11,378,507	11,166,298	11,727,032	12,416,875	12,826,632
Proceeds from IW Vehicle Sale & CIP	304,601	312,216	320,021	328,022	336,222	344,628	353,243	362,075	371,126	380,405
EDA Land Disposition	-	-	-	-	-	-	-	-	-	-
Other Revenue Increases	-	-	-	-	-	-	-	-	-	-
Total Increased Revenues	17,065,219	17,798,575	17,810,981	18,338,835	18,882,611	19,442,797	19,432,195	20,199,577	21,101,233	21,728,099
BASELINE REVENUES	147,815,874	153,353,986	157,865,396	161,878,882	166,110,097	170,382,545	171,486,531	175,686,926	182,643,812	188,076,189
ADJUSTED GF REVENUES	164,881,093	171,152,561	175,676,377	180,217,717	184,992,709	189,825,342	190,918,726	195,886,503	203,745,044	209,804,288
RESTRUCTURING/SERVICE DELIVERY										
Cost Savings-Contracting/Efficiencies:										
Contract Fire & EMS Services	10,066,795	10,366,328	10,674,264	10,990,833	11,316,269	11,651,293	12,142,299	12,495,303	12,858,158	13,231,129
Fire's Legency CalPERs Pension Cost	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)
Contract Business License Admin	944,262	967,869	992,066	1,016,867	1,042,289	1,068,346	1,095,055	1,122,431	1,150,492	1,179,254
Contract Fleet Maintenance	487,361	499,545	512,034	524,835	537,956	551,404	565,190	579,319	593,802	608,647
Contract Soccer Complex Mgt & Admin	341,153	349,682	358,424	367,384	376,569	385,983	395,633	405,523	415,662	426,053
Contract Custodial Maintenance	182,760	187,329	192,013	196,813	201,733	206,777	211,946	217,245	222,676	228,243
Contract Graffiti Abatement	160,829	164,850	168,971	173,195	177,525	181,963	186,513	191,175	195,955	200,854
Other Efficiency Improvements	1,218,403	1,248,863	1,280,085	1,312,087	1,344,889	1,378,511	1,412,974	1,448,298	1,484,506	1,521,618
Health Care Savings - Retirees	324,372	320,332	319,068	317,625	320,786	327,202	333,746	340,421	347,229	381,389
Total Cost Savings	11,358,494	11,737,355	12,129,481	12,532,198	12,950,573	13,384,038	13,975,912	14,432,274	14,901,036	15,409,746
BASIC LEVEL SERVICE RECOVERY										
Cost Increases-Capital/Operations:										
Capital Investment-Building & Fixtures	3,308,011	3,448,011	3,588,011	3,728,011	3,868,011	4,218,011	4,568,011	4,918,011	5,268,011	5,618,011
Capital Investment-Parks	422,170	457,170	492,170	527,170	562,170	597,170	632,170	667,170	702,170	737,170
Capital Investment-Public Right-Of-Way	1,960,000	2,018,800	2,079,364	2,141,745	2,305,997	2,898,237	3,514,167	4,154,733	5,320,923	6,533,760
Capital Investment-IT Infrastructure	315,125	716,993	558,549	551,623	570,870	315,125	716,993	558,549	551,623	570,870
Capital Investment-Fleet-Fire	-	-	-	-	-	-	-	-	-	-
Capital Investment-Fleet-Police	1,021,275	2,041,700	3,562,534	2,783,785	2,605,461	1,127,570	1,150,121	1,173,124	1,196,586	1,220,518
Capital Investment-Fleet-Other	1,025,857	1,055,495	1,113,084	2,412,306	2,913,919	1,887,997	2,594,786	945,701	882,713	871,516
ISF-Workers' Comp-Deficit Recovery	180,000	200,000	220,000	240,000	260,000	280,000	300,000	320,000	340,000	360,000
ISF-General Liability-Deficit Recovery	90,000	100,000	110,000	120,000	130,000	140,000	150,000	160,000	170,000	180,000
ISF-Comprehensive Leave Obligation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Organizational/Service Improvements	1,304,773	1,343,916	1,384,234	1,425,761	1,468,534	1,512,590	1,557,967	1,604,706	1,652,848	1,702,433
Police Services Master Plan	9,461,031	9,742,096	10,039,474	10,204,466	10,395,909	10,469,662	10,499,311	10,285,874	10,284,186	9,964,775
Total Cost Increases	19,188,243	21,224,182	23,247,421	24,234,867	25,180,871	23,546,363	25,783,526	24,887,869	26,469,060	27,859,053
NET COST INCREASE (SERVICE RECOVERY LESS RESTRUCTURING)	7,829,749	9,486,827	11,117,940	11,702,670	12,230,298	10,162,325	11,807,614	10,455,596	11,568,024	12,449,308
BASELINE EXPENDITURES	160,882,550	164,420,950	168,498,078	172,608,476	176,137,396	181,300,294	185,282,950	187,813,048	192,526,406	195,284,016
ADJUSTED GF EXPENDITURES	168,712,298	173,907,777	179,616,017	184,311,146	188,367,694	191,462,619	197,090,564	198,268,644	204,094,429	207,733,324
RESTRUCTURING OF SECURED AND UNSECURED OBLIGATIONS										
Unpaid POB Obligation	-	-	-	-	-	-	-	-	-	-
Unpaid General Claim Obligations	-	-	-	-	-	-	-	-	-	-
CALPERs Catch-up Payments	-	-	-	-	-	-	-	-	-	-
Total Payments to be Restructured	-	-	-	-	-	-	-	-	-	-
Restructuring Savings-Bonds/Creditors:										
General Unsecured Bond Obligations	3,965,773	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
General Secured Bonds Obligations	482,925	-	-	-	-	-	-	-	-	-
Restructured General Claim Obligations	-	-	-	-	-	-	-	-	-	-
Total Restructuring Savings	4,448,698	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
Net Savings-Secured/Unsecured Oblig	4,448,698	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
Total Restructuring Resources	32,872,411	33,517,343	33,985,179	34,978,362	35,270,601	37,059,916	37,202,904	38,999,474	40,433,490	41,637,466
Operating Results after Restructuring	617,492	1,226,197	105,076	13,900	62,431	2,595,805	(2,377,042)	1,985,483	4,081,835	6,570,586
Beginning Cash Balance	27,271,847	27,889,339	29,115,536	29,220,613	29,234,513	29,296,944	31,892,748	29,515,707	31,501,190	35,583,025
Transfer Out-Bankruptcy Reserve	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	27,889,339	29,115,536	29,220,613	29,234,513	29,296,944	31,892,748	29,515,707	31,501,190	35,583,025	42,153,611
Balance as % of Total Expense	17.0%	17.1%	16.6%	16.2%	15.8%	17.0%	15.3%	16.2%	17.8%	20.7%
Balance Goal	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

The Need for Reserves – Goal of 15%

It is essential that the City maintain adequate levels of fund balances to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are a crucial consideration in long-term financial planning, and credit rating agencies monitor levels of a city's fund balances to evaluate a city's creditworthiness. The failure of the City to maintain adequate reserves was a material factor causing the City to declare a financial emergency and file for bankruptcy relief.

Municipal finance best practices recommend the maintenance of reserves equal to at least two months of expenditures, and a city's particular situation may require a level of reserves significantly in excess of this recommended minimum level. Factors that may compel keeping reserves in excess of two months expenditures include increased capital needs and deficits in other funds, both of which are present in the City. (See Government Finance Officers Association, Determining the Appropriate Level of Unrestricted Fund Balance in the General Fund, available at www.gfoa.org.) The average reserve level for California cities with populations in excess of 50,000 is 23%.

The level of reserves that the City's advisors have recommended and incorporated into the City's financial projections reflects the tension between, on the one hand, taking actions to improve long term economic conditions for the City's residents and the City's creditworthiness, and, on the other hand, the pressure from creditors who view the reserves as excessive. The City is sensitive to that inevitable tension, and believes that the level of reserves it has proposed is consistent with the levels of risks still facing the City, while at the same time providing for the ability of the City to meet its financial commitments under the Plan.

A final consideration supporting reserves of at least 15% is the recent CalPERS board action phasing into a lower discount rate (actuarially-assumed rate of return) of 6.5%. The impact on local agencies is intended to be mitigated through a gradual implementation linked to improvements in investment performance above the current discount rate, but it will still mean increased costs over time. Once CalPERS releases more information about the projected impact over time, the City's private actuary will prepare a revised forecast of employer rates which will be incorporated into the Long Range Financial Plan.

Restricted Funds

San Bernardino's total FY 2015-16 budget is approximately $212 million. A large portion of this budget is composed of restricted funds, earmarked by various restrictions for designated purposes. The FY 2015-16 General Fund Pendency Budget is about $128 million. Financial creditors have suggested the City should pay their claims using restricted funds other than the General Fund. The problem with this approach is that it would not be legal, nor in the long-term would it be in the best interest of providing a sustainable, viable municipal enterprise, especially given that most restricted funds are designated for some capital or infrastructure purpose.

Most local governments pool their cash from restricted and unrestricted funds for short-term investment purposes, while tracking balances in each individual fund. Restricted funds carry legal limitations for uses like utility funds, gas taxes, grants, assessments, etc. Unrestricted funds are typically accounted for in the General Fund, and are used for activities like police and fire services and other general government services. In times of financial stress, particular attention to the cash flow of that fund is warranted.

General Fund revenues typically do not accrue evenly through the year, while expenses do. It is common practice that during the "dry" cash flow periods, the General Fund's cash flow is financed during the year by other restricted funds, but restricted funds must always be repaid during the same fiscal year. At a given time, a city's pooled cash balance may be large, but the preponderance of the cash may be in restricted funds. The city's restricted funds may be healthy, while the General Fund is insolvent, as in San Bernardino's case.

Absent voter approval, Article XVI, Section 18 of the California Constitution (the "Debt Limit") prohibits cities from entering into indebtedness that exceeds the resources available in that year. There are three exceptions that have been recognized by the courts: (1) long-term leases; (2) restricted fund obligations; and (3) obligations imposed by law. There is no Debt Limit exception for indebtedness created by borrowing from restricted funds beyond the current fiscal year.

Reductions in expenses necessary to comply with the Debt Limit required the City to impair contracts, including bond debt, labor agreements and certain retirement benefits. However, the City must follow the law, treat creditor classes fairly, adopt a balanced budget every year and, most importantly, provide for the health and safety of its citizens. Therefore the use of restricted funds to pay creditors is not possible.

Additional Revenues

The Recovery Plan filed in May evaluated approximately 14 additional revenue sources. Many require voter approval. As was stated in the May submittal, the City has to be deliberate and strategic about asking voters for revenue approvals. The community is the poorest medium to large City in the State by a large margin, as was shown in the police discussion above, and is not likely to vote for additional tax levies.

In addition the Plan itself contemplates implementation of approximately 7 new fee and tax adjustments. The biggest priority is the reauthorization of Measure Z for police services. The City has already implemented revisions to the water and sewer utilities' franchise fee structure, and is well along with the solid waste collection franchise fee. In addition the City fire service annexation application is requesting annexation into a service zone with an approximate $143 per parcel tax, which would generate approximately $7.8 million for fire services.

While the City is interested in obtaining additional revenues, and indeed is working on several such initiatives, it should be noted that some of the suggestions from creditors are not particularly applicable in the San Bernardino setting. For example, additional charges for parking are unlikely to generate significant revenue in San Bernardino because the demand for parking within the City is not strong at all. Due to vacant building and empty lots, parking is generally widely available. In addition the suggestion of forming a business improvement district, while well taken, would not appreciably improve the General Fund situation since revenues would be earmarked to new business improvement efforts, nor would or could they significantly displace current General Fund support. While economic development is necessary the City believes addressing the perception that the City is unsafe is the top priority.

Currently the City is focusing on revenue measures which can be administratively approved and / or approved through the LAFCO process. As stated in the Recovery Plan the City's very low income levels are believed to be a significant hurdle to voter approved tax measures, at least until basic services can be stabilized and / or improved.

F. Risks and Feasibility

There are a number of risks to the City's original and updated Recovery Plan.

As was extensively explained in the May Recovery Plan, the City's governance and management structure is unique and dysfunctional. As such it is extremely difficult for the City to operate satisfactorily, even absent the pressures of bankruptcy. As was noted efforts to revise the Charter and address these problems are proceeding well, but true solutions will require a successful voter approved measure in November of 2016. Meanwhile the City continues to suffer from high turnover and political volatility. These are both risks to the recovery plan.

In addition the annexation to the County Fire Protection district is a discretionary action and could be denied or delayed. Possible risks to the process include:

a. *Denial by LAFCO* - While possible this is considered a relatively low risk in that the annexation is designed to provide the same or improved service delivery on a sustainable basis with economic benefits to the City. Regionalization of fire services is considered an industry best practice in order to make service delivery more seamless and to take advantage of economies of scale. As was noted above many cities are served using this model, and the San Bernardino LAFCO has approved of several annexations to SBCFPD.

b. *Majority protest* - Because this is a populated annexation, voters within the territory to be annexed have the right to protest LAFCO's decision. Depending on the magnitude of the protests received the annexation can be terminated or it can require a vote in favor before approval is final. For changes of organization or reorganizations consisting solely of annexations, detachments and/or activation or divestiture of powers, for inhabited territory, in registered voter districts or cities, LAFCO, shall make a finding regarding the value of written protests filed and not withdrawn, and take one of the following actions:

    1. Terminate proceedings if a majority protest exists in accordance with Section 57078. (This means a written protest by more than 50% of the registered voters in the area to be annexed.)
    2. Order the change of organization or reorganization subject to confirmation by the registered voters residing within the affected territory if written protests have been filed and not withdrawn by either of the following:
        (A) At least 25 percent, but less than 50 percent, of the registered voters residing in the affected territory, in the case of an inhabited annexation such as this one.
        (B) At least 25 percent of the number of owners of land who also own at least 25 percent of the assessed value of land within the affected territory.
    3. Order the change of organization or reorganization without an election if written protests have been filed and not withdrawn by less than 25 percent of the registered voters or less than 25 percent of the number of owners of land owning less than 25 percent of the assessed value of land within the affected territory.

c. *Litigation* - The City firefighters union has initiated several lawsuits predicated on City "out-sourcing" of fire services. The City firefighters union has initiated two adversary proceedings in the Bankruptcy to prevent out-sourcing.

The City believes it has strong and credible legal positions in both lawsuits which are set forth in the pleadings, but the result is uncertain.

There is also some risk to the solid waste franchising because at this writing the window for challenging the decision has not closed. However, the City believes that the risk is low and even if challenged the City has a credible position.

The plan assumes voter approval to continue the Measure Z sales tax. Enacted in 2006 at a rate of 0.25% for a term of 15 years, it will expire in 2021 unless renewed by the voters. There is some risk the voters would not approve an extension, but the 0.25% rate is low, it would not be an increase beyond the level already levied, and many other cities have approved local sales tax rates of 0.5% or greater in recent years.

The City believes that its plan is feasible in that the fiscal model is prudent and reasonably balanced as the circumstances will permit. It has been improved by the updating of forecasts and assumptions made as part of this update. In addition the model is substantially similar to the fiscal model used in the City of Stockton in its successful effort to exit bankruptcy in spite of objections and a well-funded appeal from one creditor.

Finally the City would like to point out that its success and credibility in implementation of the Recovery Plan submitted to the Court in May should be seen as a sign that our approach is feasible. To date the City has taken steps to implement all of the 20 major initiatives outlined in the May Recovery Plan. This has been accomplished even though the City continues to exhibit considerable staff turnover, a high vacancy rate and pronounced political instability and disagreement. Several major efforts such as the regionalization of fire services, the Charter revisions, solid waste contracting and updating of the City's franchise fee policies, are either complete or well underway. Moreover the results which are available so far meet or in some cases exceed City expectations. Given the progress so far the City is cautiously optimistic that it can successfully implement the Recovery Plan and confidently exit bankruptcy, never to return.

EXHIBIT C

LONG-RANGE FINANCIAL PLAN OF THE CITY OF SAN BERNARDINO

San Bernardino Long Range Financial Plan

	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
BASELINE REVENUES										
Property Taxes	30,897,977	34,320,684	33,117,626	33,554,276	35,458,455	36,767,416	38,051,155	39,042,011	40,414,822	41,490,380
Sales and Use Tax	39,037,406	41,888,847	39,487,820	41,609,528	44,082,776	45,540,069	47,043,374	46,379,917	41,041,872	40,276,441
Utility Users Tax	22,837,500	23,180,063	23,233,666	23,680,430	24,185,860	24,548,648	24,916,877	25,290,630	25,669,990	25,729,352
Franchise Fees	3,477,586	3,505,518	3,529,440	3,606,549	3,692,226	3,759,346	3,827,825	3,897,695	3,968,984	3,997,177
Other Taxes	10,398,805	10,410,000	10,466,290	10,760,767	11,124,322	11,358,825	11,591,746	11,829,664	12,072,693	12,028,183
Licenses and Permits	2,814,317	3,115,540	3,170,440	3,202,331	3,289,277	3,316,187	3,395,492	3,423,748	3,505,462	3,512,381
Fines and Penalties	2,008,220	1,820,380	1,846,068	1,872,162	1,898,670	1,925,598	1,952,955	1,980,747	2,008,982	2,037,669
Use Of Money and Property	695,934	512,570	607,984	531,209	545,618	550,713	566,758	585,882	610,952	640,593
Intergovernmental	3,168,812	1,939,844	1,954,043	1,968,399	1,982,914	1,997,588	2,012,425	2,027,426	2,042,592	2,057,927
Charges For Services	6,316,394	5,855,548	5,466,882	5,617,326	5,623,502	5,779,549	5,785,554	5,947,420	5,953,239	6,121,149
Miscellaneous	4,166,848	628,020	634,400	640,846	647,359	653,938	660,586	667,302	674,088	680,944
Transfers in - Sewer Maintenance	700,000	-	-	-	-	-	-	-	-	-
Transfers in - Refuse Fund	2,200,000	1,870,000	-	-	-	-	-	-	-	-
Transfers in - Water Fund	-	3,158,890	3,222,068	3,286,509	3,352,239	3,419,284	3,487,670	3,557,423	3,628,572	3,701,143
Transfers in - Sewer Treatment	-	107,784	109,940	112,138	114,381	116,669	119,002	121,382	123,810	126,286
Transfers in - Sewer Collection	-	704,477	1,568,567	1,599,938	1,631,937	1,664,575	1,697,867	1,731,824	1,766,461	1,801,790
Transfers in - Other Funds	-	-	-	-	-	-	-	-	-	-
Total Transfers In	*2,900,000*	*5,841,151*	*4,900,574*	*4,998,586*	*5,098,557*	*5,200,528*	*5,304,539*	*5,410,630*	*5,518,842*	*5,629,219*
Total Revenues	128,719,799	133,018,165	128,415,233	132,042,408	137,629,535	141,398,405	145,109,286	146,483,072	143,482,519	144,201,415
BASELINE EXPENDITURES										
Salaries-Sworn	35,873,759	36,375,759	37,587,557	38,839,927	40,134,234	41,471,889	42,716,046	43,997,527	45,317,453	46,676,977
Salaries-Miscellaneous	19,300,543	19,308,685	19,694,859	20,088,756	20,490,531	20,900,342	21,318,348	21,744,715	22,179,610	22,623,202
Total Salaries	55,174,302	55,684,444	57,282,415	58,928,683	60,624,765	62,372,231	64,034,394	65,742,243	67,497,063	69,300,179
Special Salaries	946,895	1,178,839	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319
Overtime	8,732,840	8,687,926	8,787,867	9,080,667	9,383,273	9,696,013	9,986,893	10,286,500	10,595,095	10,912,948
Other Pay	2,241,550	2,539,717	3,088,324	3,153,117	3,219,353	3,287,066	3,354,937	3,424,268	3,495,091	3,567,441
PERS Retiree Health	411,250	-	-	-	-	-	-	-	-	-
PARS Retirement	-	-	-	-	-	-	-	-	-	-
PERS Retirement-Fire	3,506,325	4,890,357	5,473,282	6,099,603	6,635,283	7,154,809	7,306,206	7,505,426	7,710,193	7,920,661
PERS Retirement-Police	7,091,185	9,669,500	10,870,961	11,452,523	12,557,118	13,638,537	13,918,815	14,294,652	14,680,909	15,077,871
PERS Retirement-Misc.	3,652,337	4,434,392	4,600,052	4,913,354	5,278,414	5,656,090	5,704,826	5,818,649	5,912,518	6,030,495
Total PERS Retirement	*14,249,846*	*18,994,248*	*20,944,294*	*22,465,480*	*24,470,816*	*26,449,436*	*26,929,847*	*27,618,728*	*28,303,620*	*29,029,027*
Health and Life Insurance	5,953,217	5,256,112	5,361,234	5,468,459	5,577,828	5,689,385	5,803,173	5,919,236	6,037,621	6,158,373
Other Benefits	982,520	1,074,969	1,038,190	1,068,027	1,098,767	1,130,438	1,160,564	1,191,517	1,223,321	1,256,001
Budgeted Vacancy Savings	(13,922,305)	(4,199,999)	(3,434,568)	(3,566,802)	(3,720,518)	(3,875,347)	(3,966,859)	(4,068,663)	(4,172,315)	(4,279,651)
Total Salaries & Benefits	74,770,115	89,216,256	94,266,076	97,795,951	101,852,604	105,947,541	108,501,268	111,312,147	114,177,815	117,142,636
Maintenance and Operations	9,899,065	5,507,901	6,446,541	5,656,954	5,769,575	5,084,448	5,185,619	5,288,814	5,394,072	5,501,435
Contract Services	10,695,329	7,306,744	7,852,879	8,009,936	8,170,135	8,333,538	8,500,209	8,670,213	8,843,617	9,020,489
Internal Service Charges	10,397,449	12,157,188	11,511,229	11,852,135	12,203,294	12,565,018	12,929,142	13,303,934	13,689,707	14,086,787
Utilities	3,896,706	2,973,651	3,062,845	3,154,714	3,249,338	3,346,801	3,447,188	3,550,586	3,657,086	3,766,780
Capital Outlay	725,864	-	-	-	-	-	-	-	-	-
Debt Service - Principal- Misc.	1,304,460	1,335,880	121,172	124,577	128,077	131,676	135,376	139,181	-	-
Debt Service - Principal- 2005 POBS	879,835	856,483	833,750	807,687	785,899	761,981	738,961	716,259	698,352	675,548
Debt Service - Principal- 1996 COP	610,000	645,000	685,000	720,000	760,000	805,000	850,000	900,000	950,000	-
Debt Service - Principal- 1999 COP	275,000	290,000	305,000	325,000	340,000	360,000	380,000	400,000	420,000	445,000
Total Debt Service Principal	3,069,295	3,127,363	1,944,922	1,977,264	2,013,976	2,058,657	2,104,337	2,155,440	2,068,352	1,120,548
Debt Service - Interest- Misc.	80,070	44,357	22,557	18,741	14,817	10,784	6,636	2,373	-	-
Debt Service - Interest- 2005 POBS	2,562,532	2,637,411	2,714,478	2,791,208	2,867,995	2,946,913	3,029,933	3,107,635	3,185,542	3,263,346
Debt Service - Interest- 1996 COP	394,115	359,955	323,190	284,145	43,105	199,785	153,900	105,450	54,150	-
Debt Service - Interest- 1999 COP	212,988	197,450	181,088	163,763	145,475	126,225	105,875	84,425	61,875	38,088
Total Debt Service Interest	3,249,705	3,239,173	3,241,312	3,257,856	3,071,392	3,283,707	3,296,344	3,299,883	3,301,567	3,301,434
Lease Payments	216,021	143,521	99,261	55,000	55,000	375,833	375,833	375,833	-	-
Grand Total Debt Service	6,535,022	6,510,057	5,285,496	5,290,120	5,140,368	5,718,197	5,776,514	5,831,156	5,369,919	4,421,982
Cost Recovery - CIP Projects	-	(986,904)	(1,016,511)	(1,047,006)	(1,078,417)	(1,110,769)	(1,144,092)	(1,178,415)	(1,213,767)	(1,250,180)
Transfers Out-Library Fund	1,350,000	2,176,604	2,220,136	2,264,539	2,309,830	2,356,026	2,403,147	2,451,210	2,500,234	2,550,238
Transfers Out-Animal Control Fund	588,090	591,804	995,324	1,015,230	1,035,535	1,056,246	1,077,371	1,098,918	1,120,896	1,143,314
Transfers Out-Assessment Districts	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	148,810	233,257
Transfers Out-Cemetery Fund	237,481	222,324	226,770	231,306	235,932	240,651	245,464	250,373	255,380	260,488
Transfers Out-Baseball Stadium Fund	85,643	88,160	89,923	91,722	93,556	95,427	97,336	99,282	101,268	103,293
Total Transfers Out	2,341,214	3,158,892	3,612,154	3,682,797	3,754,853	3,828,350	3,903,317	3,979,783	4,126,589	4,290,591
Total Expenditures	119,260,764	125,843,785	131,020,707	134,395,599	139,061,750	143,713,125	147,099,165	150,758,218	154,045,037	156,980,520
Operating (Deficits) or Surplus	9,459,035	7,174,380	(2,605,474)	(2,353,191)	(1,432,214)	(2,314,720)	(1,989,880)	(4,275,146)	(10,562,518)	(12,779,106)

ADJUSTMENTS TO BASELINE:	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24
RESTRUCTURING - NEW REVENUES										
Increased Revenues:										
New Waste Management Franchise	-	5,833,333	5,000,000	5,625,000	5,753,125	5,884,453	6,019,064	6,157,041	6,298,467	6,443,429
Water/Sewer Utilities Franchise Fee	-	-	-	-	-	-	-	-	-	-
Street Sweeping Parking Violations	-	-	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
TOT Audits	-	-	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
Master Fees & Charges Update	-	200,000	200,000	205,000	210,125	215,378	220,763	226,282	231,939	237,737
Measure Z Sales Tax Extension	-	-	-	-	-	-	-	2,216,137	9,157,079	8,986,300
Proceeds from IW Vehicle Sale & CIP	-	12,225,000	250,000	256,250	262,656	269,223	275,953	282,852	289,923	297,171
EDA Land Disposition	-	51,533	1,082,096	1,082,096	979,031	979,031	979,031	-	-	-
Other Revenue Increases	-	-	-	-	-	-	-	-	-	-
Total Increased Revenues	-	18,309,866	6,932,096	7,578,346	7,625,187	7,778,841	7,936,336	9,334,875	16,441,286	16,440,112
BASELINE REVENUES	128,719,799	133,018,165	128,415,233	132,042,408	137,629,535	141,398,405	145,109,286	146,483,072	143,482,519	144,201,415
ADJUSTED GF REVENUES	128,719,799	151,328,031	135,347,329	139,620,755	145,254,723	149,177,246	153,045,622	155,817,947	159,923,805	160,641,526
RESTRUCTURING/SERVICE DELIVERY										
Cost Savings-Contracting/Efficiencies:										
Contract Fire & EMS Services	-	-	6,419,474	9,058,411	9,069,870	9,051,383	7,876,222	9,216,814	9,492,455	9,775,445
Fire's Legency CalPERs Pension Cost			(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)
Contract Business License Admin	-	-	775,000	794,375	814,234	834,590	855,455	876,841	898,762	921,231
Contract Fleet Maintenance	-	-	400,000	410,000	420,250	430,756	441,525	452,563	463,877	475,474
Contract Soccer Complex Mgt & Admin	-	-	280,000	287,000	294,175	301,529	309,068	316,794	324,714	332,832
Contract Custodial Maintenance	-	-	150,000	153,750	157,594	161,534	165,572	169,711	173,954	178,303
Contract Graffiti Abatement	-	-	132,000	135,300	138,683	142,150	145,703	149,346	153,080	156,907
Other Efficiency Improvements	-	-	1,000,000	1,025,000	1,050,625	1,076,891	1,103,813	1,131,408	1,159,693	1,188,686
Health Care Savings - Retirees	-	370,123	367,458	360,687	356,117	348,549	335,087	334,841	323,114	325,240
Total Cost Savings	-	370,123	7,156,490	9,857,082	9,934,106	9,979,940	8,865,003	10,280,878	10,622,208	10,986,676
BASIC LEVEL SERVICE RECOVERY										
Cost Increases-Capital/Operations:										
Capital Investment-Building & Fixtures	-	-	3,752,331	3,752,331	3,752,331	2,748,011	2,748,011	2,748,011	2,748,011	2,748,011
Capital Investment-Parks	-	-	466,341	466,341	466,341	233,170	233,170	233,170	233,170	233,170
Capital Investment-Public Right-Of-Way	-	-	2,649,500	2,859,500	2,649,500	2,670,263	2,279,536	1,916,936	2,226,826	910,000
Capital Investment-IT Infrastructure	-	-	1,117,099	1,103,247	1,141,740	315,125	716,993	558,549	551,624	570,870
Capital Investment-Fleet-Fire	-	-	-	-	-	-	-	-	-	-
Capital Investment-Fleet-Police	-	-	3,024,800	2,507,500	2,523,300	1,494,800	943,500	1,662,370	1,481,617	1,501,250
Capital Investment-Fleet-Other	-	-	1,846,039	1,328,272	1,552,716	1,138,091	945,701	882,713	871,516	1,051,153
ISF-Workers' Comp-Deficit Recovery	-	-	20,000	40,000	60,000	80,000	100,000	120,000	140,000	160,000
ISF-General Liability-Deficit Recovery	-	-	10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000
ISF-Comprehensive Leave Obligation	-	600,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Organizational/Service Improvements	-	1,650,000	1,030,000	1,060,900	1,092,727	1,125,509	1,159,274	1,194,052	1,229,874	1,266,770
Police Services Master Plan	-	167,962	2,473,244	4,742,742	6,665,201	8,391,815	8,532,554	8,735,389	8,958,018	9,201,967
Total Cost Increases	-	2,417,962	16,489,354	17,980,832	20,033,856	18,336,784	17,808,740	18,211,191	18,610,657	17,823,192
NET COST INCREASE (SERVICE RECOVERY LESS RESTRUCTURING)	-	2,047,838	9,332,864	8,123,751	10,099,751	8,356,845	8,943,737	7,930,314	7,988,449	6,836,516
BASELINE EXPENDITURES	119,260,764	125,843,785	131,020,707	134,395,599	139,061,750	143,713,125	147,099,165	150,758,218	154,045,037	156,980,520
ADJUSTED GF EXPENDITURES	119,260,764	127,891,623	140,353,571	142,519,350	149,161,500	152,069,970	156,042,903	158,688,532	162,033,486	163,817,036
RESTRUCTURING OF SECURED AND UNSECURED OBLIGATIONS										
Unpaid POB Obligation	-	10,027,094	-	-	-	-	-	-	-	-
Unpaid General Claim Obligations	-	130,000,000	-	-	-	-	-	-	-	-
CALPERs Catch-up Payments	-	-	400,000	400,000	400,000	400,000	400,000	-	-	-
Total Payments to be Restructured	-	140,027,094	400,000	400,000	400,000	400,000	400,000	-	-	-
Restructuring Savings-Bonds/Creditors:										
General Unsecured Bond Obligations	-	13,520,988	3,548,228	3,598,894	3,653,894	3,708,894	3,731,888	3,786,888	3,846,888	3,901,888
General Secured Bonds Obligations	-	487,450	518,911	465,888	474,038	486,225	861,708	860,258	481,875	483,088
Restructured General Claim Obligations	-	128,700,000	-	-	-	-	-	-	-	-
Total Restructuring Savings	-	142,708,438	4,067,139	4,064,782	4,127,932	4,195,119	4,593,596	4,647,146	4,328,763	4,384,976
Net Savings-Secured/Unsecured Oblig		2,681,344	3,667,139	3,664,782	3,727,932	3,795,119	4,193,596	4,647,146	4,328,763	4,384,976
Total Restructuring Resources	-	161,388,427	18,155,726	21,500,210	21,687,225	21,953,900	21,394,935	24,262,900	31,392,257	31,811,763
Operating Results after Restructuring	9,459,035	26,117,752	(1,339,102)	766,187	(178,846)	902,396	1,196,316	1,776,562	2,219,082	1,209,466
Beginning Cash Balance	9,368,000	18,827,035	27,719,786	19,380,684	20,146,871	19,968,025	20,870,421	22,066,737	23,843,298	26,062,381
Transfer Out-Bankruptcy Reserve	-	(17,225,000)	(7,000,000)	-	-	-	-	-	-	-
Ending Cash Balance	18,827,035	27,719,786	19,380,684	20,146,871	19,968,025	20,870,421	22,066,737	23,843,298	26,062,381	27,271,847
Balance as % of Total Expense	15.8%	22.1%	14.2%	14.5%	13.7%	14.1%	14.5%	15.5%	16.5%	17.1%
Balance Goal	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
BASELINE REVENUES										
Property Taxes	41,889,372	43,474,219	45,474,915	46,810,390	48,416,034	49,866,074	51,581,630	51,832,126	54,161,890	56,427,165
Sales and Use Tax	42,298,990	44,787,228	46,265,206	47,791,958	49,369,093	50,998,273	50,047,155	52,560,356	55,652,219	57,488,743
Utility Users Tax	26,224,106	26,783,826	27,185,584	27,593,368	28,007,268	28,427,377	28,493,115	29,041,014	29,660,858	30,105,771
Franchise Fees	4,085,520	4,183,598	4,260,734	4,339,448	4,419,774	4,501,748	4,534,952	4,636,314	4,748,761	4,837,524
Other Taxes	12,357,243	12,766,787	13,038,226	13,307,376	13,582,354	13,863,293	13,815,576	14,193,492	14,665,685	14,980,459
Licenses and Permits	3,603,671	3,646,117	3,732,811	3,765,383	3,854,736	3,888,904	3,955,003	3,998,937	4,106,825	4,144,298
Fines and Penalties	2,066,814	2,096,426	2,126,513	2,157,083	2,188,145	2,219,708	2,251,780	2,284,370	2,317,487	2,351,141
Use Of Money and Property	660,287	674,213	694,382	703,497	711,862	720,876	755,393	740,351	769,110	819,011
Intergovernmental	2,073,432	2,089,108	2,104,959	2,120,986	2,137,192	2,153,577	2,170,146	2,186,899	2,203,839	2,220,969
Charges For Services	6,126,767	6,300,954	6,306,354	6,487,062	6,492,226	6,679,707	6,684,618	6,879,134	6,883,773	7,085,597
Miscellaneous	687,870	694,869	701,939	709,083	716,300	723,593	730,961	738,405	745,926	753,526
Transfers in - Sewer Maintenance	-	-	-	-	-	-	-	-	-	-
Transfers in - Refuse Fund	-	-	-	-	-	-	-	-	-	-
Transfers in - Water Fund	3,775,166	3,850,669	3,927,683	4,006,236	4,086,361	4,168,088	4,251,450	4,336,479	4,423,209	4,511,673
Transfers in - Sewer Treatment	128,812	131,388	134,016	136,696	139,430	142,219	145,063	147,964	150,924	153,942
Transfers in - Sewer Collection	1,837,826	1,874,582	1,912,074	1,950,315	1,989,322	2,029,108	2,069,690	2,111,084	2,153,306	2,196,372
Transfers in - Other Funds	-	-	-	-	-	-	-	-	-	-
Total Transfers In	*5,741,804*	*5,856,640*	*5,973,772*	*6,093,248*	*6,215,113*	*6,339,415*	*6,466,203*	*6,595,527*	*6,727,438*	*6,861,987*
Total Revenues	147,815,874	153,353,986	157,865,396	161,878,882	166,110,097	170,382,545	171,486,531	175,686,926	182,643,812	188,076,189
BASELINE EXPENDITURES										
Salaries-Sworn	48,077,286	49,519,605	51,005,193	52,535,348	54,111,409	55,734,751	57,406,794	59,128,998	60,902,867	62,729,953
Salaries-Miscellaneous	23,075,666	23,537,179	24,007,923	24,488,081	24,977,843	25,477,400	25,986,948	26,506,687	27,036,820	27,577,557
Total Salaries	71,152,952	73,056,784	75,013,116	77,023,430	79,089,252	81,212,151	83,393,742	85,635,684	87,939,688	90,307,510
Special Salaries	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319	1,198,319
Overtime	11,240,336	11,577,546	11,924,873	12,282,619	12,651,097	13,030,630	13,421,549	13,824,196	14,238,922	14,666,089
Other Pay	3,641,350	3,716,855	3,793,991	3,872,794	3,953,303	4,035,555	4,119,590	4,205,447	4,293,169	4,382,798
PERS Retiree Health	-	-	-	-	-	-	-	-	-	-
PARS Retirement	-	-	-	-	-	-	-	-	-	-
PERS Retirement-Fire	8,120,644	8,325,686	8,518,593	8,697,963	8,899,004	9,123,377	9,333,939	8,948,468	9,171,259	8,826,567
PERS Retirement-Police	15,452,953	15,837,413	16,196,641	16,527,806	16,901,702	17,321,626	17,712,864	16,904,969	17,319,022	16,591,512
PERS Retirement-Misc.	6,104,579	6,202,812	6,302,539	6,379,243	6,456,503	6,534,311	6,638,697	5,815,124	5,877,026	5,497,026
Total PERS Retirement	*29,678,176*	*30,365,910*	*31,017,774*	*31,605,012*	*32,257,210*	*32,979,314*	*33,685,500*	*31,668,561*	*32,367,307*	*30,915,105*
Health and Life Insurance	6,281,541	6,407,171	6,535,315	6,666,021	6,799,342	6,935,328	7,074,035	7,215,516	7,359,826	7,507,022
Other Benefits	1,289,581	1,324,086	1,359,543	1,395,978	1,433,419	1,471,894	1,511,434	1,552,067	1,593,825	1,636,739
Budgeted Vacancy Savings	(4,386,057)	(4,496,186)	(4,607,120)	(4,717,773)	(4,833,391)	(4,954,238)	(5,076,950)	(5,093,307)	(5,220,935)	(5,265,242)
Total Salaries & Benefits	120,096,198	123,150,486	126,235,809	129,326,400	132,548,550	135,908,954	139,327,218	140,206,482	143,770,121	145,348,341
Maintenance and Operations	5,610,946	5,722,647	5,836,582	5,952,796	6,071,334	6,192,242	6,315,569	6,441,363	6,569,672	6,700,547
Contract Services	9,200,899	9,384,917	9,572,616	9,764,068	9,959,349	10,158,536	10,361,707	10,568,941	10,780,320	10,995,926
Internal Service Charges	14,495,507	14,916,210	15,349,252	15,794,996	16,253,818	16,726,104	17,212,251	17,712,671	18,227,784	18,758,025
Utilities	3,879,765	3,996,138	4,116,003	4,239,463	4,366,627	4,497,605	4,632,512	4,771,466	4,914,588	5,062,003
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- Misc.	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- 2005 POBS	926,283	2,115,000	2,300,000	2,500,000	2,705,000	2,930,000	3,170,000	3,420,000	3,685,000	3,970,000
Debt Service - Principal- 1996 COP	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal- 1999 COP	470,000	-	-	-	-	-	-	-	-	-
Total Debt Service Principal	1,396,283	2,115,000	2,300,000	2,500,000	2,705,000	2,930,000	3,170,000	3,420,000	3,685,000	3,970,000
Debt Service - Interest- Misc.	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest- 2005 POBS	3,076,496	1,947,147	1,822,909	1,687,837	810,101	1,382,800	706,266	1,025,703	825,768	610,357
Debt Service - Interest- 1996 COP	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest- 1999 COP	12,925	-	-	-	-	-	-	-	-	-
Total Debt Service Interest	3,089,421	1,947,147	1,822,909	1,687,837	810,101	1,382,800	706,266	1,025,703	825,768	610,357
Lease Payments	-	-	-	-	-	-	-	-	-	-
Grand Total Debt Service	4,485,704	4,062,147	4,122,909	4,187,837	3,515,101	4,312,800	3,876,266	4,445,703	4,510,768	4,580,357
Cost Recovery - CIP Projects	(1,287,686)	(1,326,316)	(1,366,106)	(1,407,089)	(1,449,302)	(1,492,781)	(1,537,564)	(1,583,691)	(1,631,202)	(1,680,138)
Transfers Out-Library Fund	2,601,243	2,653,268	2,706,333	2,760,460	2,815,669	2,871,983	2,929,422	2,988,011	3,047,771	3,108,726
Transfers Out-Animal Control Fund	1,166,181	1,189,504	1,213,294	1,237,560	1,262,311	1,287,558	1,313,309	1,339,575	1,366,367	1,393,694
Transfers Out-Assessment Districts	262,736	293,469	325,337	358,216	392,295	427,617	434,390	496,300	535,465	573,087
Transfers Out-Cemetery Fund	265,698	271,012	276,432	281,961	287,600	293,352	299,219	305,203	311,307	317,533
Transfers Out-Baseball Stadium Fund	105,359	107,467	109,616	111,808	114,044	116,325	118,652	121,025	123,445	125,914
Total Transfers Out	4,401,217	4,514,720	4,631,013	4,750,005	4,871,920	4,996,835	5,094,992	5,250,114	5,384,355	5,518,955
Total Expenditures	160,882,550	164,420,950	168,498,078	172,608,476	176,137,396	181,300,294	185,282,950	187,813,048	192,526,406	195,284,016
Operating (Deficits) or Surplus	(13,066,676)	(11,066,964)	(10,632,682)	(10,729,594)	(10,027,299)	(10,917,749)	(13,796,419)	(12,126,122)	(9,882,594)	(7,207,827)

ADJUSTMENTS TO BASELINE:	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
RESTRUCTURING - NEW REVENUES										
Increased Revenues:										
New Waste Management Franchise	6,592,014	6,744,315	6,400,423	6,560,433	6,724,444	6,892,555	7,064,869	7,241,491	7,422,528	7,608,091
Water/Sewer Utilities Franchise Fee	-	-	-	-	-	-	-	-	-	-
Street Sweeping Parking Violations	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
TOT Audits	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
Master Fees & Charges Update	243,681	249,773	256,017	262,417	268,978	275,702	282,595	289,660	296,901	304,324
Measure Z Sales Tax Extension	9,437,562	9,992,727	10,322,486	10,663,129	11,015,012	11,378,507	11,166,298	11,727,032	12,416,875	12,826,632
Proceeds from IW Vehicle Sale & CIP	304,601	312,216	320,021	328,022	336,222	344,628	353,243	362,075	371,126	380,405
EDA Land Disposition	-	-	-	-	-	-	-	-	-	-
Other Revenue Increases	-	-	-	-	-	-	-	-	-	-
Total Increased Revenues	17,065,219	17,798,575	17,810,981	18,338,835	18,882,611	19,442,797	19,432,195	20,199,577	21,101,233	21,728,099
BASELINE REVENUES	147,815,874	153,353,986	157,865,396	161,878,882	166,110,097	170,382,545	171,486,531	175,686,926	182,643,812	188,076,189
ADJUSTED GF REVENUES	164,881,093	171,152,561	175,676,377	180,217,717	184,992,709	189,825,342	190,918,726	195,886,503	203,745,044	209,804,288
RESTRUCTURING/SERVICE DELIVERY										
Cost Savings-Contracting/Efficiencies:										
Contract Fire & EMS Services	10,066,795	10,366,328	10,674,264	10,990,833	11,316,269	11,651,293	12,142,299	12,495,303	12,858,158	13,231,129
Fire's Legency CalPERs Pension Cost	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)	(2,367,442)
Contract Business License Admin	944,262	967,869	992,066	1,016,867	1,042,289	1,068,346	1,095,055	1,122,431	1,150,492	1,179,254
Contract Fleet Maintenance	487,361	499,545	512,034	524,835	537,956	551,404	565,190	579,319	593,802	608,647
Contract Soccer Complex Mgt & Admin	341,153	349,682	358,424	367,384	376,569	385,983	395,633	405,523	415,662	426,053
Contract Custodial Maintenance	182,760	187,329	192,013	196,813	201,733	206,777	211,946	217,245	222,676	228,243
Contract Graffiti Abatement	160,829	164,850	168,971	173,195	177,525	181,963	186,513	191,175	195,955	200,854
Other Efficiency Improvements	1,218,403	1,248,863	1,280,085	1,312,087	1,344,889	1,378,511	1,412,974	1,448,298	1,484,506	1,521,618
Health Care Savings - Retirees	324,372	320,332	319,068	317,625	320,786	327,202	333,746	340,421	347,229	381,389
Total Cost Savings	11,358,494	11,737,355	12,129,481	12,532,198	12,950,573	13,384,038	13,975,912	14,432,274	14,901,036	15,409,746
BASIC LEVEL SERVICE RECOVERY										
Cost Increases-Capital/Operations:										
Capital Investment-Building & Fixtures	3,308,011	3,448,011	3,588,011	3,728,011	3,868,011	4,218,011	4,568,011	4,918,011	5,268,011	5,618,011
Capital Investment-Parks	422,170	457,170	492,170	527,170	562,170	597,170	632,170	667,170	702,170	737,170
Capital Investment-Public Right-Of-Way	1,960,000	2,018,800	2,079,364	2,141,745	2,305,997	2,898,237	3,514,167	4,154,733	5,320,923	6,533,760
Capital Investment-IT Infrastructure	315,125	716,993	558,549	551,623	570,870	315,125	716,993	558,549	551,623	570,870
Capital Investment-Fleet-Fire	-	-	-	-	-	-	-	-	-	-
Capital Investment-Fleet-Police	1,021,275	2,041,700	3,562,534	2,783,785	2,605,461	1,127,570	1,150,121	1,173,124	1,196,586	1,220,518
Capital Investment-Fleet-Other	1,025,857	1,055,495	1,113,084	2,412,306	2,913,919	1,887,997	2,594,786	945,701	882,713	871,516
ISF-Workers' Comp-Deficit Recovery	180,000	200,000	220,000	240,000	260,000	280,000	300,000	320,000	340,000	360,000
ISF-General Liability-Deficit Recovery	90,000	100,000	110,000	120,000	130,000	140,000	150,000	160,000	170,000	180,000
ISF-Comprehensive Leave Obligation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Organizational/Service Improvements	1,304,773	1,343,916	1,384,234	1,425,761	1,468,534	1,512,590	1,557,967	1,604,706	1,652,848	1,702,433
Police Services Master Plan	9,461,031	9,742,096	10,039,474	10,204,466	10,395,909	10,469,662	10,499,311	10,285,874	10,284,186	9,964,775
Total Cost Increases	19,188,243	21,224,182	23,247,421	24,234,867	25,180,871	23,546,363	25,783,526	24,887,869	26,469,060	27,859,053
NET COST INCREASE (SERVICE RECOVERY LESS RESTRUCTURING)	7,829,749	9,486,827	11,117,940	11,702,670	12,230,298	10,162,325	11,807,614	10,455,596	11,568,024	12,449,308
BASELINE EXPENDITURES	160,882,550	164,420,950	168,498,078	172,608,476	176,137,396	181,300,294	185,282,950	187,813,048	192,526,406	195,284,016
ADJUSTED GF EXPENDITURES	168,712,298	173,907,777	179,616,017	184,311,146	188,367,694	191,462,619	197,090,564	198,268,644	204,094,429	207,733,324
RESTRUCTURING OF SECURED AND UNSECURED OBLIGATIONS										
Unpaid POB Obligation	-	-	-	-	-	-	-	-	-	-
Unpaid General Claim Obligations	-	-	-	-	-	-	-	-	-	-
CALPERs Catch-up Payments	-	-	-	-	-	-	-	-	-	-
Total Payments to be Restructured	-	-	-	-	-	-	-	-	-	-
Restructuring Savings-Bonds/Creditors:										
General Unsecured Bond Obligations	3,965,773	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
General Secured Bonds Obligations	482,925	-	-	-	-	-	-	-	-	-
Restructured General Claim Obligations	-	-	-	-	-	-	-	-	-	-
Total Restructuring Savings	4,448,698	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
Net Savings-Secured/Unsecured Oblig	4,448,698	3,981,413	4,044,717	4,107,329	3,437,417	4,233,082	3,794,797	4,367,624	4,431,220	4,499,622
Total Restructuring Resources	32,872,411	33,517,343	33,985,179	34,978,362	35,270,601	37,059,916	37,202,904	38,999,474	40,433,490	41,637,466
Operating Results after Restructuring	617,492	1,226,197	105,076	13,900	62,431	2,595,805	(2,377,042)	1,985,483	4,081,835	6,570,586
Beginning Cash Balance	27,271,847	27,889,339	29,115,536	29,220,613	29,234,513	29,296,944	31,892,748	29,515,707	31,501,190	35,583,025
Transfer Out-Bankruptcy Reserve	-	-	-	-	-	-	-	-	-	-
Ending Cash Balance	27,889,339	29,115,536	29,220,613	29,234,513	29,296,944	31,892,748	29,515,707	31,501,190	35,583,025	42,153,611
Balance as % of Total Expense	17.0%	17.1%	16.6%	16.2%	15.8%	17.0%	15.3%	16.2%	17.8%	20.7%
Balance Goal	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%