City Council

for

BUDGET AND LABOR UPDATE

September 15, 2009

City Administrative Officer
Total $320 Million SRS

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian</td>
<td>45%</td>
<td>$896</td>
</tr>
<tr>
<td>Fire sworn</td>
<td>16%</td>
<td>$312</td>
</tr>
<tr>
<td>Police sworn</td>
<td>39%</td>
<td>$777</td>
</tr>
</tbody>
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Responsibility and Sacrifice (SRS)
2009-10 Adopted Budget Salaries and Shared
tax revenue to the latter half of the year.

Gas Tax - The State may defer distribution of gas
securitization program.

although the City can participate in the loan
Property Tax - The State will borrow $13 million
shortfall in the current fiscal year
Current data suggests a $75 million revenue
expected
FY 08/09 closing yielded $36 million less than

Revenue and State Impact
Reserve Fund as a barometer of the City’s fiscal health

- Reserve Fund balances and investors use the Credit rating agencies
- Respond to natural disasters
- A sufficient reserve is necessary for the City to
- $243 million in budget
- The Reserve Fund balance stands at $151 million

Reserve Fund
The deficit attributed to the Revenue Shortfall and

$320

Additional Revenue Shortfall

$75

Implementation Delay

$10

Total Budget Deficit

$405

Shared Responsibility and Sacrifice (SRS) has grown from $320 million to $405 million.
Civilian SRS

In the current year to offset a significant portion of the

As originally proposed, sufficient savings was projected

Human way to reduce the City's workforce

Cumbersome

Management - Layoff process can be lengthy and

Management

Organizational - Ability to reduce top layers of

the next several years

Fiscal - Reduces the payroll base and benefit costs over

As discussed in June 2009

Benefits of ERP and Coalition LOA
opposed to the program members would minimize legal challenges by those organizations representing a majority of LAGERS.

Legal Challenges - Approved by a majority of Labor
offset any costs related to ERP.

Term increase in the employees' contribution rate, would

Cost Neutral - The reduction in payroll as well as a long-

budgetary solutions - Goal of achieving 70% General Fund

Payroll Savings - Nine months of savings totaling $11

Original ERP Assumptions
$220 million leaving a gap of $405 million of the $485 million resolved. Actions would have originally approved.

As discussed in June 2009, Shared Responsibility and Sacrifice (SRS)
employee pension contributions are expected
Legal Challenges – Legal challenges to the increase in
costs related to ERP
contributions rate will not be sufficient to offset added
payback indicates that the increase in employees'
Cost Neutral – A present value analysis of the employee
appointing authorities without their prior consent.
Budgetary Solutions – The City Attorney opined that
$23 million (General Fund is only $12.4 million)
Payroll Savings – Now only four months of savings totaling
Modfied ERP Assumptions
<table>
<thead>
<tr>
<th>City Surplus/(Deficit)</th>
<th>Employee Payback</th>
<th>Total ERP Cost</th>
<th>Cost of Cash Incentives</th>
<th>UAL Increase</th>
<th>Fiscal Year 2009/10</th>
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</thead>
<tbody>
<tr>
<td>$230 Million</td>
<td>$1.14 Billion</td>
<td>$1.75 Billion</td>
<td>$2.23 Billion</td>
<td>$2.43 Billion</td>
<td>$2.50 Billion</td>
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<td>$51 Million</td>
<td>$2.63 Million</td>
<td>$3.10 Million</td>
<td>$3.43 Million</td>
<td>$3.54 Million</td>
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City employees do not pay the full cost of ERP.

ERIP actuarial report received on July 30, 2009.

What has changed? - ERP Cost.
$293 million leaving a gap of
$405 million

Resolved $1.12 billion

With tentative actions

Approved and

Updated

With Revised ERIP Assumptions

$405 million SRS/Budgetary Shortfall

October 2009

Shared Responsibility and Sacrifice (SRS)
Grant funds

Police options include furloughs, Police hiring, layoffs and

an agreement to cover the full $129 million.

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Resolution has not been achieved and it is unlikely to reach

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Contract negotiations are ongoing with PPL; however,

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ERB.

ERB.

UFRC and the City has filed a Notice of Impasse with the

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Negotiations have not been successful thus far with the

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Remaining sworn deficit of $13 million for Fire.

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Fire's modified deployment plan ($39 million in savings).

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For Police and $22 million for Fire.

For Police and $22 million for Fire.

The sworn SRS component totals $181 million ($129 million

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Sworn SRS Shortfall

Sworn SRS Shortfall
<table>
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<tr>
<th></th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>75</th>
<th>62</th>
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<tr>
<td>21</td>
<td>470</td>
<td>225</td>
<td>135</td>
<td>230</td>
<td>75</td>
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<tr>
<td>35</td>
<td>670</td>
<td>280</td>
<td>180</td>
<td>373</td>
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<tr>
<td>Treasurer</td>
<td>IIA Planning</td>
<td>Controller</td>
<td>Finance</td>
<td>Council</td>
<td>Mayor</td>
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**Non-Coalition GF**

Select Departments - General Fund, Non-Coalition Starring:

- 4,700 remaining subject to potential layoffs
- 25% would not be subject to furlough or layoffs
- One-third are special fund or grant funded
- 8,000 total - 6,400 represented by EAA

**Non-Coalition Workforce**
Potential Solutions with ERP

$405 Million SRS/Budgetary Shortfall

$333 Million in Potential Solutions with $128M Fire (Sworn) Layoffs, $10M SRS Option, $39M Fire (Sworn) Deployment Plan, $12M Police (Sworn) SRS - $22M Deterrent, $20M Furloughs, $12M Non-Coalition, $72M Remaining Budgetary Shortfall, and $39M Non-Coalition COLA.
Alternative Operational Plan

Targeted Solutions $87M

Global Solutions $98M

Deployment Plan $39M

Modified Fire Sworn

Fire (Sworn)

SRP Options $97M

Fire (Sworn)

Police (Sworn)

$405 Million SRS/Budgetary Shortfall

Remaining

$74M

Budgetary Shortfall

with $331 Million in Potential Solutions
Assumes a $242 million deficit factoring FAA furloughs and Fire's modified staffing plan.
The outlook for 2010-11 reflects a deficit of over $400 million. If no action is taken, the city may run out of money in June 2011. Without adversity affecting 2010-11 and the City’s bond rating, insufficient monies are available in the Reserve Fund. Pay period of $1 million per day. The City is overspending at a rate of $1 million per day. Need for immediate action.