CITY OF VALLEJO
OFFICE OF THE CITY MANAGER

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MATERIAL EVENT NOTICE

MAY 8, 2008

The City Council of the City of Vallejo voted unanimously last night to authorize and direct the City Manager to file a petition seeking protection under chapter 9 of the United States Bankruptcy Code. In so doing, the Council followed the City Manager's recommendation as contained in the attached staff report. The City expects that the petition will be filed in the United States Bankruptcy Court for the Eastern District of California sometime next week. This notice is applicable to all debt obligations issued by the City or related entities.

<u>General Fund Secured Obligations.</u>

The City has issued debt obligations secured by the general fund through long term leases (the "General Fund Debt") as follows:

1- Certificates of Participation (1999 Capital Improvement Projects)
CUSIPs: 919204AK3, 919204AL1, 919204AM9, 919204AN7, 919204AP2, 919204AQ0, 919204AR8, 919204AA5

2- Variable Rate Demand Certificates of Participation
(2000 Capital Improvement Project)
CUSIP - 919191BW5

3- Variable Rate Demand Certificates of Participation
(2001 Golf Course Facilities Financing Project)
CUSIP - 919191BX3

4- Variable Rate Demand Certificates of Participation
(2002 Capital Improvement Project)
CUSIP - 919191BZ8

5- Variable Rate Demand Certificates of Participation
(2003 Capital Improvement Project)
CUSIP - 919191CA2

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Some of the City's outstanding certificates of participation, being the Series 2000, 2001, 2002 and 2003 Certificates of Participation listed above, are secured by irrevocable direct-pay letters of credit issued by Union Bank of California. Although the chapter 9 filing will not eliminate this security, the filing could cause the bank to declare an event of default which would result in a mandatory tender of those certificates, and the letters of credit would be drawn upon to pay the purchase price as provided in the documents pursuant to which the certificates were issued. The Series 1999 Certificates are fixed rate obligations that are guaranteed by a bond insurance policy issued by MBIA. Under the documents pursuant to which the Series 1999 Certificates were issued, the filing of the chapter 9 petition also is an event of default, however the Series 1999 Certificates are not subject to acceleration prior to maturity.

Although it is the City's intention to attempt to pay all of its General Fund Debt, at this time the City cannot predict whether or not it will continue to pay debt service with respect to its General Fund Debt in the amounts and at the times payments are due, and any such payments will be subject to and may be affected by the outcome of the chapter 9 case.

Enterprise Fund Debt

The City has issued debt obligations secured by enterprise revenues (the "Enterprise Debt") as follows;

1- Variable Rate Demand Water Revenue Bonds, 2001 Series A
CUSIP - 919259AA9

2- Water Revenue Refunding Bonds, Series 2006
CUSIPs: 919259AD3, 919259AE1, 919259AF8, 919259AG6, 919259AH4, 919259AJ0, 919259AK7, 919259AL5, 919259AM3, 919259AN1, 919259AP6, 919259AQ4, 919259AR2, 919259AS0, 919259AT8, 919259AU5, 919259AV3, 919259AW1

The City's Enterprise Debt is secured by a pledge of and lien on revenues of the respective enterprises, which are restricted revenues pursuant to the State Constitution. These revenues are not a part of or available to the general fund of the City. The City may transfer amounts from the Enterprise to the general fund only to pay costs which are directly incurred by the general fund to provide the Enterprise-related services. Such transfers are treated by the Enterprise as operation and maintenance expenses.

The Series 2001 Bonds are additionally secured by an irrevocable, direct-pay letter of credit issued by JP Morgan Chase Bank. Although the chapter 9 filing will not eliminate this security, the filing could cause the bank to declare an event of default which would result in a mandatory tender of those Bonds, and the letters of credit would be drawn upon to pay the purchase price as provided in the documents pursuant to which the bonds were issued. The Series 2006 Bonds are fixed rate bonds which are guaranteed by a bond insurance policy issued by MBIA. Under the documents pursuant to which the Series 2006 Bonds were issued, the filing of the chapter 9 petition also is an event of default. The Series 2006 Bonds are subject to acceleration prior to maturity in the event of a default, but only with the consent of MBIA.

Under the Bankruptcy Code, the Enterprise Fund Debt is considered to be "special revenues" debt, and the pledge of and lien on the Enterprise Revenues will remain in full force and effect to secure those obligations. Accordingly, the City does not expect that the filing of the chapter 9 petition will have any effect on the timely payment of debt service on the Enterprise Debt.

Special Assessment and Special Tax Obligations

The City has issued obligations secured by special assessments and special taxes levied on specific real property (the "Land-Secured Debt") within the City as follows:

1- Vallejo Public Financing Authority
Local Agency Revenue Bonds
(Hiddenbrooke Improvement District), 2004 Series A
CUSIPs: 919213CL0, 919213CM8, 919213CN6, 919213CP1,
919213CQ9,
919213CR7, 919213CS5, 919213CT3, 919213CU0, 919213CV8,
919213CW6, 919213CX4, 919213CY2

2- Hiddenbrooke Improvement District No. 1998-1 of the City of Vallejo
Improvement Bonds, 1998 Series A
Improvement Bonds, 1998 Series B (Federally Taxable)
CUSIPs: 91919NAA6-AP3

3- Vallejo Public Financing Authority
Local Agency Revenue Bonds
2003 Series B (Northeast Quadrant)
CUSIPs: 919213BW7-CG1

4- Vallejo Public Financing Authority
Local Agency Revenue Bonds
2003 Series A (Glen Cove)
CUSIPs: 919213BN7-BV9

5- Northeast Quadrant Improvement
District No. 2003-1 of the City of Vallejo
Improvement Bonds, 2003 Series A

CUSIPs: 91919TAA3-AT2

6- Vallejo Public Financing Authority
1998 Limited Obligation Revenue Bonds
(Fairgrounds Drive Assessment District Refinancing)
CUSIP - 919207AJ9

The City's Land-Secured Debt is secured solely by a pledge of and lien on certain special assessments and special taxes levied on real property in the City to pay for infrastructure costs incurred in connection with the development of that property. The Land-Secured Debt is not an obligation of the City's general fund or any other funds of the City. The revenues received from the special assessments and special taxes are restricted by State law and the State Constitution to the payment of debt service on the Land-Secured Debt and may not be diverted to any other purpose.

Under the Bankruptcy Code, the Land-Secured Debt is considered to be "special revenues" debt, and the pledge of and lien on the pledged revenues will remain in full force and effect to secure those obligations. Accordingly, the City does not expect that the filing of the chapter 9 petition will have any effect on the timely payment of debt service on the Land-Secured Debt.

Related Entities

There are several related entities (the "Related Entities") to the City which have issued debt obligations (the "Related Entity Debt") as follows:

1- Vallejo Sanitation and Flood Control District
Certificates of Participation
(Financing Projects) Series 1993
CUSIPs: 919243BK0, 919243BM6

2- 2001 Sanitation and Flood Control

3- Vallejo Sanitation and Flood Control District
Certificates of Participation
(Overflow Elimination Program), Series 2006
CUSIPs: 919243BQ7, 919243BR5, 919243BS3, 919243BT1, 919243BU8, 919243BV6, 919243BW4, 919243BX2, 919243BY0, 919243BZ7, 919243CA1, 919243CB9, 919243CC7, 919243CD5, 919243CE3, 919243CF0, 919243CG8, 919243CH6, 919243CT0, 919243CM5, 919243CS2

4- Redevelopment Agency of the City of Vallejo
Vallejo Waterfront Development Project

1989 Tax Allocation Refunding Bonds
CUSIP - 919222AX7

5- Redevelopment Agency of the City of Vallejo
Tax Allocation Bonds, 2001 Series A
(Housing Set-Aside Revenues)
CUSIP - 919222AY5

6- Vallejo Public Financing Authority
Revenue (Tax Allocation) Bonds, 1990 Series A
CUSIP - 919209

7- City of Vallejo
Subordinate Multifamily Housing Revenue Bonds
(Solano Affordable Housing Foundation Pooled Projects), Series 1998B
CUSIP - 919196BA2

8- City of Vallejo
Multifamily Housing Revenue Bonds
(Solano Vista Senior Apartments), 2001 Series A
CUSIP - 919196BB0

9- City of Vallejo
Certificates of Participation
(Touro University)
CUSIPs: 919191BU9-BV7

10- Housing Authority of the City of Vallejo
Variable Rate Demand
Multifamily Mortgage Revenue Refunding Bonds
(Fountain Plaza Hills Apartments), 1992 Series A
REMARKETED - 09/28/94
CUSIP - 919193AW2

The Related Entity Debt is not debt of the City, and the Related Entities are separate and distinct legal entities from the City. Accordingly, the filing of the chapter 9 petition by the City should have no effect on the Related Entity Debt. The funds and accounts of the Related Entities are separate from those of the City and are not commingled with City funds for investment or any other purpose.

The City Council sits *ex officio* as the governing board of the Related Entities. Certain of the Related Entities have obligations to the City for advances or loans made by the City to the Related Entities. These advances or loans are subordinate to the Related Debt. The City may seek to obtain repayment of these loans in order to help it fund operations; however repayment of these loans or advances will not affect the security for, or the ability of the Related Entities to service, the Related Entity Debt.

General Comments

Notwithstanding the above, pursuant to the Bankruptcy Code, the declaration of an event of default with respect to City debt obligations as a result solely of the bankruptcy filing may be deemed unenforceable by the bankruptcy court, which would prevent acceleration or the pursuit of any other remedies by the bank, the insurer or the bondholders during the pendency of the case.

Pursuant to chapter 9 of the Bankruptcy Code, unlike under other provisions of the Bankruptcy Code applicable to private entities, the City may pay its debt service or any other obligations when due without court approval.

Inquiries regarding this notice should be directed to Rob Stout, Finance Director, telephone (707) 648-4343.

Joseph M. Tanner
City Manager

Robert V. Stout
Director of Finance

ENCLOSURE: May 6, 2008 Staff Report

Vallejo
"Pride in Service"

Agenda Item No. ADMIN. A

COUNCIL COMMUNICATION

Date: May 6, 2008

TO: Honorable Mayor and Members of the City Council

FROM: Joseph M. Tanner, City Manager
Craig Whittom, Assistant City Manager / Community Development
Robert V. Stout, Finance Director

SUBJECT: UPDATED INFORMATION REGARDING THE CONDITION OF THE GENERAL FUND AND CONSIDERATION OF A RESOLUTION APPROVING THE FILING OF A PETITION UNDER CHAPTER 9 OF THE UNITED STATES BANKRUPTCY CODE

RECOMMENDATION / SUMMARY

The City of Vallejo for the past several years has had difficulty balancing its contractual commitments with its expected revenues. For each of the last three fiscal years, General Fund expenditures have exceeded revenues by $3 to $4 million. Current estimates are that at the end of this fiscal year, there will be no reserves in the General Fund. More importantly, given the impacts of the current economic environment and without new revenues or significant changes in our cost structure, projections for Fiscal Year 2008-09 indicate that the General Fund annual deficit could exceed $16 million. Earlier this year, when apprised of these projections, Council directed staff to meet with the employee groups with the goal to collaboratively develop a multi-year plan to increase revenues, reduce expenditures and assure financial solvency for the next four years. Although more meetings are scheduled, as of this date (Friday, May 2, 2008), staff has been unable to meet this goal.

Therefore, in accordance with the advice of the City's legal counsel regarding the need to seek protection prior to the exhaustion of all available resources, staff recommends that the City Council approve a resolution authorizing the City Manager to file a petition seeking protection under Chapter 9 of the United States Bankruptcy Code (Attachment A) for the following reasons:

- The General Fund is expected to deplete its available reserves as of June 30, 2008.
- No viable General Fund budget has been identified for the fiscal year beginning July 1, 2008 within the bounds of the City's existing labor contracts, and no contract modifications have been negotiated.
- Absent labor concessions, and without appropriations from a charter-required balanced budget, the General Fund will not have the legal authority to continue services after July 1. Labor law precludes employers from calling employees to work without the ability to pay.

A chapter 9 petition, if approved, would seek to achieve the following:

- Enable the City to continue to operate and provide services to its residents by freezing certain pre-filing debts until a plan of adjustment can be negotiated and approved.

- Enjoin enforcement actions against the City by creditors, including labor, whose current obligations cannot be paid due to the City's inadequate resources.
- Provide the City and its creditor constituencies, including labor, time to negotiate settlements which will provide long-term stability.

Background information regarding chapter 9 bankruptcy is attached as Attachment B. This Attachment is reprinted from a publication entitled "Bankruptcy Basics" on the website maintained by the Administrative Office of the United States Courts, and may be found at www.uscourts.gov. As discussed at the February 13, 2008 study session, bankruptcy will not create additional revenue. A bankruptcy filing may allow the City to take actions contrary to existing contractual obligations that would allow continued General Fund operations. No large California municipality has filed a Chapter 9 bankruptcy case other than on account of a one-time event (such as a judgment against the city), and there is very little case law guiding the potential outcome of such a filing. The risks of this option are significant, as will be the expense. Despite these risks, absent agreements with labor groups, the City's current financial condition requires the filing of a bankruptcy petition.

Pursuant to labor agreement amendments approved by the City Council on March 3, 2008, the City, the Vallejo Police Officers Association (VPOA) and the International Association of Firefighters (IAFF) agreed to retain the services of a mediator to assist the parties in continuing off the record discussions (discussions that would not formally open the contracts for negotiations) between March 1, 2008 and April 22, 2008. The objective of this mediation was to discuss expenditure reductions, revenue enhancements and labor agreement modifications in an attempt to develop a Budget Plan that ensures funding for a range of City services (e.g. including, but not limited to, fire services, police services, street repair) and provides for a positive General Fund reserve at the end of each fiscal year through June 30, 2012. Staff, VPOA, IAFF and representatives of the International Brotherhood of Electrical Workers (IBEW), a third labor group representing City employees, have participated in this mediation since mid-March 2008. As of the writing of this staff report, the parties have not been able to achieve the objective described above. Staff is scheduled to continue to meet with labor groups and the mediator. Any progress regarding achieving agreements with labor groups will be reported verbally during the May 6th City Council meeting.

BACKGROUND & DISCUSSION

This section of the staff report discusses the following General Fund issues:

I. General Fund Services and Operating Deficit
II. Labor Contracts
III. California Revenue Environment
IV. General Fund Projections
V. Discussions with Labor Groups
VI. Liquidity, Restricted Funds and City's Investment Pool
VII. Alternative to Bankruptcy (Can the City Provide Basic Municipal while meeting its Contractual Obligations?)

VIII. Bankruptcy Petition
IX. FY 2008-09 Proposed Budget

Extensive additional budget and reference information is available on the main page of the City's website (www.ci.vallejo.ca.us), including copies of staff reports from City Council meetings and the City's Comprehensive Annual Financial Report (CAFR) with audited balances for all funds as of June 30, 2007. In particular, the December 18, 2007 staff report included significant background information regarding the City's financial condition.

I. General Fund Services and Operating Deficits

The City's General Fund currently provides police, fire, development, public works, and administrative services to the City's 121,000 residents. The current year's $87 million budget provides for services of 407 employees. Labor costs comprise 76% of this budget.

The General Fund has operated at a $3.2, $ 4.2, and $4.3 million annual deficit during the 2005-06, 06-07, and 07-08 fiscal years, respectively, effectively burning off all available general fund reserves to $0 by the end of this fiscal year. Over the past two years, employee costs have increased by 11% while revenue growth has been 2.6%. To mitigate growing per-unit employee costs, the General Fund work force has been reduced by 18%, from 494 to 407 employees, over the past four years. A summary of the employee workforce by department is presented at Attachment E.7.

The City faces two primary challenging factors in managing these deficits: labor contracts and the California revenue environment. These issues are described in the following sections.

II. Labor Contracts

The City workforce is organized through four employee associations and unrepresented employees:

- VPOA - Vallejo Police Officers Association
- IAFF - International Association of Firefighters
- IBEW - International Brotherhood of Electrical Workers
- CAMP – Confidential and Management Personnel
- Unrepresented employees – comprised primarily of department heads

Current labor agreements are in place through June 30, 2010, and the labor groups are not legally required to make any concessions to current contract terms.

Salaries - A chart of FY 2008-09 projected salary and benefits is presented in Attachment E.1. Salaries are adjusted annually through formulas in the employee labor agreements. Public Safety salaries are adjusted by a formula tied to the average annual change in a 14 City Bay area pool, and other employee salaries tie to a Consumer Price Index (CPI). Through this formula, public safety salaries would increase by a projected 24% during the past, current, and upcoming year (three year period). IBEW employees would increase by 10% and CAMP employees would increase by 6% over the same three-year period. Annual salary increases by year and association for this three year period are presented in Attachment E.2. Historical salary increases since 1990 are presented in Attachment E.3.

Public Safety employees agreed to forgo a portion of their FY 2007-08 salary increases for the interim period March 1 to June 30, 2008. At July 1, 2008, they will be due a restored salary from the FY 07-08 increase plus the normal FY 08-09 increase. A chart with average salary and benefit costs for a various employee classifications is presented at Attachment E.4. Costs are presented both at the current rate of pay and at the estimated contractual rate due at July 1, 2008.

Benefits - Employees enjoy a comprehensive benefit package. A chart listing all salary and benefit budget assumptions is presented in Attachment E.5. Medical benefits for both active and retired employees are among the most generous of plans typically available for public employees. The City currently budgets $12,000 per year as the average cost of active employee medical coverage. Retiree health costs are increasing as retirees live longer and the retiree pool grows. The General Fund is expected to pay $3 million next year for the cost of current retiree benefits (pay-as-go methodology). A chart projecting current and future retire health costs by year is presented in Attachment E.6.

Minimum Staffing – Both Police and Fire have minimum staffing provisions in their labor contracts, although the current Fire agreement provides for a reduced six-station staffing provision until June 30, 2008, at which time it reverts to eight stations. The Police agreement also provides for the suspension of its 145 minimum sworn staffing provision until May, 2010, and 134 sworn positions are currently authorized. As a result, the City's public safety contracts lock in both unit cost and the number of employees. This severely limits the City's flexibility to allocate diminishing resources, in periods of increasing costs and declining revenues, to needs other than public safety.

III. <u>California Revenue Environment</u>

State Control - The California Constitution limits local/city control over most tax and many fee revenue sources. Proposition 13 sets property tax rates and caps on the annual growth of parcel assessed valuations. Sales tax rates are also controlled by the state Bradley-Burns act, with the exception that the local electorate can vote to self-assess at a greater rate for specific or general programs. Fees, assessments, and any new or increased taxes are subject to the constraints of Proposition 218. Fees can only be assessed and used to recover the actual cost of service and assessments and taxes require property owner and/or voter approval. Federal and State grants for ongoing and supplemental programs are subject to the annual budgeting cycles and unexpected fluctuations in allocations from those levels of government. The state has routinely manipulated revenue sources traditionally allocated to local governments to solve its own budget problems. It has reduced the level of property taxes allocated, has swapped those revenues for sales tax revenues needed to secure financing for its own deficits and, despite limits placed on its actions by a recent constitutional amendment, has the power to borrow local revenue when it declares a fiscal emergency. The overall environment creates limited options for Cities to control the revenues needed to support their municipal services.

Declining Economy – The housing crisis of 2007 and now 2008 has contributed to a dramatic decline in local housing values, which has a corresponding impact on assessed valuation and the resulting property tax available to local agencies (counties, schools, and special districts, as will as cities). Attachment D.2 shows the change in Vallejo's single-family residence property values and sales transactions from 1993 to 2007. Recent declines impact both property and transfer tax revenues. The Solano County Assessor considers the current declines in property values to still be in a "freefall," and has updated his projection of parcels to be reassessed at lower levels for the FY 2008-09 tax year. Countywide, 32,000 of 109,000 residential parcels are under evaluation for reassessment back to a 2004 valuation level.

City revenues are hit in four ways from the housing crisis. First, lower assessed values result in lower property taxes. Second, fewer new housing starts and fewer sales of existing homes has both shut-down housing development with its related development fee revenue and has reduced the level of property transfer tax revenue received by the City. Third, the overall credit crunch and receding economy has dampened sales tax growth. Attachment D.3 compares Vallejo's per capita retail sales transactions against other area cities for the past three years. Finally, comparable revenue declines at the state level put several state-funded grants and programs at risk. The State legislative analyst's office has identified approximately $1 million in current City funding that may be at risk in the FY 2008-09 State budget. The State will issue an updated assessment of potential budget impacts with the Governor's May Budget Revise expected by mid-May.

New Revenues - Staff is developing new revenue options for Council consideration.

- <u>911 Communications Center Fee</u>: Recent court rulings and potential litigation developments have dampened the feasibility of a City Council-approved 911 response fee that has been under staff development. For example, on April 29, 2008 a court held that the 9-1-1 user fee in Union City is invalid as a tax that requires a 2/3 approval by voters to be valid. Counsel has advised us that there is a strong chance that the California Supreme Court will review the issue of this revenue option, but a decision could be two years away. In the meantime, it is unclear whether or when the City will be able to rely upon this as a fee.

- <u>Fee for Emergency Medical Services(EMS), combined with a Citywide Household and Business EMS Subscription Program:</u> At present, the Vallejo Fire Department provides non-transport related Emergency Medical Services (EMS) throughout the City. Such services include first response medical and paramedic assistance. There is no current structure or policy to charge residents, business, and non-residents for EMS services. Such services, however, fall under the category of benefit services for which municipalities are authorized to charge users fees to support.

- <u>Land sales:</u> A list of surplus property has been developed and approved by City Council for disposition. Staff intends to return to the City Council in May 2008 with a recommendation to consider additional properties for disposition. Proceeds from these one time sales would most appropriately fund a Capital Reserve to support one time capital needs of the City.

- Other fees and potential tax ballot measures are still under consideration to fund restoration and growth of municipal services in the future. Potential new revenues will continue to be developed and presented to City Council, but will not be included in financial projections on a speculative basis until approved and implemented.

IV. General Fund Projections through 2012

The fundamental economics of the attached General Fund financial projections demonstrate that current and future year General Fund expenditures are significantly in excess of projected revenues. Further, staffing in all departments already has been repeatedly cut during past budget reduction cycles and is lower than necessary to deliver even average quality services to the community.

Fund Balance Projections – Fund balance projections through 2012 are presented in Attachment C. Each fiscal year projection is presented with multiple scenarios to demonstrate the impact of various assumptions/possible outcomes.

Fiscal years 2005-06, 2006-07

- Actual results are presented
- Each of these years ended with a $3 - $4 million annual deficit
- Available fund balance dropped from $9.9 million to $4.2 million during this two-year period.

Fiscal year 2007-08

- The original budget was adopted with break-even operations and a $4 million reserve. The fire staffing model assumed a drop from 9 to 8 companies. This issue was arbitrated and the fire association prevailed, creating a $4 million negative impact to the General Fund budget.
- Declining revenue projections and significant leave payouts from employee departures also contributed to deterioration of the fund. The projected annual operating deficit grew to $9 million.
- In March, short-term labor concessions for reduced minimum staffing, salary roll-backs, staff reductions and use of one-time funds previously reserved for vehicle replacement and other purposes restored the budget from a deficit to a zero fund balance projection.

Fiscal years 2008-09 to 2011-12

- Column A ("Contract Rates and Current Operations") in each year presents the cost of contracted employee salary rates, eight fire stations, 134 sworn police and other current operations. In 08-09, these assumptions result in a $16.9 million annual deficit, which grows in the succeeding years.
- Column B ("Current Salaries and Reduced Operations") in each year presents the impact of holding salaries at the current level (at the March 1 Safety roll-back level), continuing the current six (of eight) fire station operation, dropping police staffing from 134 sworn positions to 129, drawing $1 million on a one-time basis from the Risk Self-Insurance Fund, realizing $400,000 in loan repayments from the Redevelopment Agency, reducing funding for vehicle replacement, and canceling all community

group/other agency funding except animal control and animal sheltering. This alternative also results in a smaller deficit.

- Column C ("5% Roll-back") in each year combines all the savings from Column B with an additional 5% roll-back in employee salary. These salary roll-backs present a concern that employee compensation below market would increase existing recruiting and retention challenges. However, this scenario demonstrates a return to fiscal solvency and restoration of a 5% operating reserve by the end of FY 2009-10, at which time City Council could consider restoration of services, funding for underserved programs, and negotiation of a market-based employee compensation package for FY 2010-11.

Revenue Projections – Updated revenue line item projections are presented in Attachment D.1. These projections reflect a worsening revenue forecast compared to March 3, 2008 estimates. Staff has received updated information regarding major revenue sources, including property and sales tax and has modified those estimates accordingly. The primary impacts have been the slowing housing development and resale market and declining assessed values. The possibility of lower revenues continues even though only two months of the year remain. There is a very real risk that supplemental property tax, sales tax, real estate transfer tax, and building related fees could fall further before the end of the year.

Subsequent year projections reflect a continued soft economic forecast. Flat property and sales tax growth rates are projected for FY 08-09 and 09-10, followed by 3% growth rates for these sources in FY 10-11 and 11-12.

Debt Service Expenditures – The City's General Fund secures $54 million in five "Certificates of Participation" (COPS) long-term debt obligations, including $50 million of variable rate debt secured by bank letters of credit. $30 million of this total debt has been invested in Enterprise (Marina, Golf, and Water) and Redevelopment capital programs, and the debt service for those programs is paid from those sources; however, the General Fund remains obligated if those sources are not sufficient to pay the debt service.

The variable rate obligations carry unique terms and conditions that create an immediate impact on the General Fund as the City's credit status is compromised. All $50 million of the General Fund variable rate debt, as well as an additional $21 million in variable rate Water revenue bonds secured by the Water fund, are remarketed weekly. Bonds that cannot be remarketed in a given week may be tendered to the Bank letter of credit provider, which then charges the City penalty rates that escalate the longer that the bonds remain unsold. Bonds have been tendered and partially resold during the past few months as the City addresses its financial outlook. Of particular concern, however, is that one of the COPS letter of credit facilities will expire in December 2008, and renewal would be a challenge considering the City's financial situation.

The City is projecting interest costs at 9% in its financial projections to cover the variable rate and penalty issues discussed above. The City's financial advisors have indicated that the City's best strategy to regain market and investor confidence is to demonstrate a sound long-term financial plan that rebuilds reserves to a minimum 5% of annual operating costs. Investing in this reserve can significantly lower interest costs over the four year span of this 2012 financial projection and beyond. For example, a reduction from a 9% to 6% interest rate would save approximately $800,000 per year.

Underserved Programs – City Council members have identified the following three example programs with particular funding concerns.

Streets

- The City has not had available resources to properly maintain in the City's street infrastructure for an extended period of years.
- Streets without regular maintenance deteriorate at a much faster rate than streets with periodic maintenance and overlay.
- The attached financial projections show no street funding, other than from State Gas Tax and periodic Federal or State street grant programs, for the next two years, incremental funding beginning in FY 2010-11 and in 2011-12 when tax revenues are projected to regain strength.
- This program is severely underfunded, and as a result the City is not currently able to protect its investment in its street infrastructure.

Retiree Health

- The City currently funds its retiree health obligations on a pay-as-you-go basis.
- Because the City offers a generous retiree health benefit that has not been pre-funded, the actuarial value of future benefits already earned by our current and retired employee base has reached $135 million. A copy of the actuarial report is in Attachment D.6.
- If the City were to fund this benefit in the same manner that it funds pension benefits each pay-period as the pension benefits are earned, it would need to set aside $12 million (General Fund share - $9 million) each year, or an additional $6 million in the General Fund above the current pay-as-you-go basis contribution of $3 million.
- The attached financial projections, show a small, incremental retire health pre-funding contribution beginning in FY 2010-11 and in 2011-12.
- To mitigate retiree costs in the future, staff has discussed its desire to negotiate longer vesting periods and a lower retiree health benefit for new employees with the employee associations.

Community Organizations and Other Agencies

- The City has contributed from $1.5 to $1.8 million annually during the past 5 years to various community organizations and other governmental agencies to provide "quality of life" services to residents.
- Beneficiaries have included the public library, parks district, Convention & Visitor's Bureau, Florence Douglas Senior Center, Police Athletic League, Vallejo Symphony, Community Arts Foundations, Youth & Family Services, and the Naval &Historical Museum, as well as Solano County and the Humane Society for animal control and sheltering services. All of this funding, except animal services, is proposed for elimination in the FY 08-09 budget.
- This reduction in funding will impact a wide range of Vallejo residents.

- The attached financial projections, show incremental contributions to these programs beginning in FY 2010-11 and in 2011-12.

Reserves - The volatility of revenues and the continuing ability and seeming willingness of the State of California to reduce local revenues make it critical that the City of Vallejo develop a long term financial structure that ensures an operating reserve. The City has exhausted its General Fund operating reserve during the past three fiscal years and is projected to end the current FY 2007-08 with zero operating reserve. Without a long term plan that ensures expenditures will be less than revenues, and without an adequate reserve, Vallejo will continue to be subject to ongoing erosion or even interruption of services. The current condition also supports the need for new revenues sources discussed above to further support the development of an operating reserve.

Net program budgets – The net General Fund departmental budgets, using the "Column B" projection assumptions described above (current salary rates and reduced operations), is presented in Attachment F. This chart is helpful is assessing what additional programs might be prioritized or eliminated to balance the budget.

This chart shows the net program cost for each department, which is the full cost of salaries, benefits, and services/supplies, net of inter-fund reimbursements and revenues earned by the program.

Staffing levels in most administrative departments are so low due to years of budget reductions that staff does not believe that reduction strategies such as "across the board cuts" or "hiring freezes" are viable across all departments. The alternative is program reductions. Further, Staff does not believe that an expenditure reduction strategy alone will allow the City to provide basic municipal services to the community. With the Fire Department budget protected by minimum staffing, and the insignificant remaining balance of discretionary non-safety programs, balancing the budget would, by default, require dramatic further cuts to Police Department staffing. The size of the projected deficit threatens the City's ability to provide critical public safety and other services.

13 City budgetary comparison – A comparison of 13 regional cities is presented in Attachment G as background information to gauge how other cities allocate their resources between city programs. The data presented is FY 2005-06 data from each city's audited financial statements.

V. <u>Discussions with Labor Groups</u>

Employee salary and benefits comprise 76% of the current FY 07-08 annual budget. The City's ability to achieve long-term financial stability is directly dependent upon negotiated cost containment in employee labor agreements. The following is a brief history and update on the status of employee negotiations during the past six months.

December 2007 to February 2008 - On December 18, 2007, the City Council directed staff to present to the City Council no later than February 12, 2008 a comprehensive approach to ensuring a balance of General Fund expenditures and revenues through June 30, 2010 and thereafter. A study session was conducted on February 13, 2008 to review the current state of the General Fund projections.

March 3, 2008 - On March 3, 2008 the City Council approved actions that provided for General Fund solvency through June 30, 2008. First, the City Council approved supplemental agreements with VPOA and IAFF that have provided resources for the General Fund to continue being able to meet its payment obligations through June 30, 2008. These supplemental agreements did not solve the City's ongoing structural imbalance between revenues and expenditures. Execution of the agreements provided the parties a short period of time to develop and begin implementing a plan that aligns revenue and expenditures in FY 2008-09 and beyond.

The primary terms of the Supplemental Agreements were as follows:

A. VPOA (Police)
   i. Abandonment of 1.5% (and any remaining balance due under the salary formula over the eight and one half percent [8.5%] of FY 2007-08 salary increase).
   ii. Reduction of FY 2007-08 current salary increase from 8.5% to 2% from March 1, 2008 – June 30, 2008.
   iii. Reduction of leave payouts to retirees by 50% for the period February 10, 2008 – June 30, 2008 and deferment of other 50% to December 2008.
   iv. One year contract extension subject to the parties reaching an agreement to enter into new agreement that will address City fiscal solvency by April 22, 2008. If there is no new signed and mutually ratified Labor Agreement between the parties by April 22, 2008, then the one-year extension shall be null and void.
   v. City and VPOA/IAFF retention of the services of a mediator to assist the parties in continuing off the record discussions between March 1, 2008 and April 22, 2008, to discuss expenditure reductions, revenue enhancements and labor agreement modifications in an attempt to develop a Budget Plan that ensures funding for a range of City services (e.g. including, but not limited to, fire services, police services, street repair) and provides for a positive General Fund reserve at the end of each fiscal year through June 30, 2012.

B. IAFF (Fire)
   i. Abandonment of 1.5% (and any remaining balance due under the salary formula over the eight and one half percent [8.5%] of FY 2007-08 salary increase).
   ii. Reduction of FY 2007-08 current salary increase from 8.5% to 2% from March 1, 2008 – June 30, 2008.
   iii. Reduction of Leave payouts by 50% for the period February 10, 2008 – June 30, 2008 and deferment of other 50% to December 2008.
   iv. One year contract extension subject to the parties reaching an agreement to enter into new agreement that will address City fiscal solvency by April 22, 2008. If there is no new signed and mutually ratified Labor Agreement between the parties by April 22, 2008, then the one-year extension shall be null and void.
   v. City and VPOA/IAFF retention of the services of a mediator to assist the parties in continuing off the record discussions between March 1, 2008 and April 22, 2008, to discuss expenditure reductions, revenue enhancements and labor agreement modifications in an attempt to develop a Budget Plan that ensures

funding for a range of City services (e.g. including, but not limited to, fire services, police services, street repair) and provides for a positive General Fund reserve at the end of each fiscal year through June 30, 2012.

vi. Staffing modifications including modification of minimum staffing (closure of two fire stations), transfer of personnel, Fire Captain promotions and the Firefighter Paramedic program.

The modifications to both agreements are effective through June 30, 2008, although since no long-term agreement was signed and ratified by April 22, the one-year extension of the VPOA and IAFF agreements is null and void. As of July 1, 2008 the primary economic terms of the underlying agreements (e.g. previously negotiated salary increases, fire department minimum staffing) are contractual obligations of the City.

The second City Council action that addressed General Fund solvency through June 30, 2008 was an amendment to the FY 2007-08 General Fund budget. On March 3, 2008 a resolution of intention to amend the FY 2007-08 General Fund budget was approved by the City Council. The resolution of intention addressed the following items:

1. Transfer of eligible one-time funds to the General Fund:
    a. Arts and Convention Center Fund - $200,000
    b. Repair and Demolition Fund - $40,000
    c. Vehicle Replacement Fund - $1,700,000
    d. Transportation Fund - $300,000
2. Elimination of 34 General Fund budgeted positions as listed in Attachment E.7.
3. Reduction in Fire Department services – two engine companies closed each day.

March 3, 2008 to May 2, 2008 - Since March 3, 2008 staff has engaged VPOA, IAFF and IBEW, in mediation discussions. The goal of this mediation was to discuss expenditure reductions, revenue enhancements and labor agreement modifications for a Budget Plan ensuring funding for a range of City services (e.g. including, but not limited to, fire services, police services and street repair) and provides for a positive General Fund reserve at the end of each fiscal year through June 30, 2012. Staff and representatives of the labor groups have participated in this mediation since mid-March 2008. As of the writing of this staff report, the parties have not been able to achieve the objective described above. Staff is scheduled to continue to meet with labor groups and the mediator. Any progress regarding achieving agreements with labor groups will be reported verbally during the May 6th City Council meeting.

VI. Liquidity, Restricted Funds, and City's Investment Pool

How will the operating deficits described above impact the City's cash flow?

Funds and Sources of Restrictions – The City is comprised of over 100 individual accounting funds established to segregate revenues that are restricted by Federal, State or other sources for specific purposes. Restricted revenue sources include, as examples, water fees, gas tax, development impact fees, and landscape maintenance districts. The City's General Fund is the default fund used to account for unrestricted tax and fee revenues and the programs supported from those sources.

Cash balances - Overall, the composite balance of the City's total cash and investment portfolio, as reported in the most recent audited financial statements (for the year ended June 30, 2007), was $211 million. Of this balance, $61 million was administered by legally separate component units (Vallejo Sanitation and Flood Control District and the Marine World Joint Powers Agency). Of the remaining $150 million, $48 million was held in restricted trust accounts, primarily subject to debt covenants, and another $13 million was held in fiduciary funds for the benefit of the City's five improvement districts. Of the remaining $89 million administered in the City's investment pool, only $2.6 million was unrestricted cash from the General Fund. With the projected FY 07-08 operating deficit, this General Fund balance will be depleted before June 30, 2008. While the City continues to hold significant cash and investment balances, the overwhelming majority are from restricted sources not available for general operations.

General Fund Monthly Cash Flow – While the monthly expenditure rate is driven by payroll costs and is therefore fairly consistent throughout the year, the revenue cash flow spikes with the December and April property tax receipts. Sales tax revenues are distributed by the state two months in arrears, and grant reimbursements are also received in arrears on a quarterly or other irregular receipt cycle. As a result, the General Fund cash balance is projected to fluctuate to a low of a $16 million deficit during the year.

Projected FY 08-09 General Fund monthly cash balances, assuming a balanced budget, are presented in Attachment H. The General Fund carries an estimated net receivable balance of $2 million for sales tax and other grant reimbursements. A break-even or zero fund balance projection therefore translates into a $2 million end-of-year cash deficit. The City's practice is to use the City's Risk Management Self–Insurance Fund to provide working capital loans to funds with short-term cash deficits.

This practice is both legally permissible and in accordance with generally accepted accounting principles (GAAP). However, the borrowing fund must be able to repay the loan with resources available with the fiscal year, i.e., this can be demonstrated with either a balance budget or the ability to repay its year end balances with subsequent receipt of accrued receivables. If the borrowing fund cannot meet either of these tests, the loan transaction must be reclassified as transfer. If amounts thus transferred were from a restricted fund, it would represent an illegal diversion of restricted funds. Beginning Fiscal Year 2008 – 09 with no cash or reserve balances, makes analysis of these inter-fund loan transactions especially risky.

VII. Alternative to Bankruptcy (Can the City Provide Basic Municipal while meeting its Contractual Obligations?)

The alternative to a bankruptcy filing, absent consensually modified agreements with labor groups, would require the reduction of City services in a manner that attempted not to violate existing contracts through June 30, 2010 (the termination date of the current labor agreements). The net General Fund costs of City services is detailed in Attachment F. Staff does not believe there are sufficient achievable savings among the options described below to maintain a minimally acceptable level of municipal services.

Staff has estimated the levels of expenditure reductions that would be necessary to achieve fiscal solvency in the General Fund. The estimated $16 million shortfall in FY 2008-09 is based on current contractual obligations. Closing this gap would require a series of Draconian reductions with a variety of risks. The following is a summary, by department, of examples of potential reductions that could be prioritized to close this gap. Note that this chart shows departmental costs at the full contract rates and 8 fire station model.

City Program	Net Program Costs	Risk - Impact of Further Reductions
Public Safety:		
Police	35,309,090	Layoff of additional officers.
		Average per employee 225,000
		Average leave payoff: (75,000)
		150,000
		Resignations (officers and management)
		Increase in leave payout cots
		Increased crime
		Difficulty in recruiting new officers
		Increased liability exposure
Fire	26,226,111	Closure of one or two stations
		Approximate cost per station - $2,000,000
		Risk: Violation of the current IAFF labor agreement and recent arbitration ruling
		If challenged, the City could be required to restore one or two stations
Community Development:		
Planning/Building	52,837	Further service reductions/delays in permitting
Code Enforcement	324,894	Deterioration of physical environment
Economic Development	465,064	Inability to implement/manage existing development agreements
Public Works:		
Admin/Engineering	524,748	
Public Buildings	1,119,292	Further erode minimal maintenance of public buildings and facilities
Streets	687,484	Further erode minimal maintenance of streets
Grounds	449,860	Further erode minimal maintenance of grounds
Traffic Signs	165,290	Further reduce maintenance of Traffic signs
Recycling Program	131,114	Reduce recycling services
Library	60,773	Further erode maintenance of JFK library
Landscaping	131,279	Further erode minimal maintenance of grounds
Non-departmental:		
Contributions/Other Agencies	1,600,000	Reduced funding for community groups
Retiree Health	3,000,000	Fixed costs
Compensated Absences	3,450,000	Fixed costs
Debt Service Transfers	3,032,896	Fixed costs
Utility/Water	570,000	Fixed costs
Property Tax Admin Fee	358,000	Fixed costs
PC Replacement & Licensing	175,000	Aging of exisiting software/technology
Other	985,272	Includes consultants, lease, bank fees, and other
	78,819,004	
Administration:		
Legislative	169,349	Reduced City Council and commission training/support
Executive	675,573	Reduced City Clerk and City Manager services/staffing
Legal	996,010	Reduced legal advice and support for departments
Finance	1,714,569	Dimished fiscal analysis and slower reporting
Human Resources	645,985	Reduced services to departments and employees
	4,201,486	
	83,020,490	

General impacts of these individual cost saving items would be disinvestment in the community, expanded employee flight, labor litigation (e.g. change in working conditions) and significant reductions in service levels to citizens. To the extent the City Council approved additional revenues and they materialized, or voter approved tax increases are realized, services could be restored. Additional reductions in FY 2008-09 would be necessary due to currently contracted additional salary increases due labor groups.

Staff does not believe there are sufficient achievable savings among the options described above to maintain a basic level of municipal services.

VIII. Bankruptcy Petition

Upon City Council authorization to file a petition for bankruptcy protection, staff would return to the City Council with a proposed Pendency Plan in a closed session meeting in mid-late May. As discussed during previous briefings, this Pendency Plan would identify the proposed modifications to existing agreements that would allow the City to continue to provide a breadth of City operations during the pendency of the chapter 9 case. Thus, the City would ask the court to impose the terms of the Pendency Plan to modify the extent collective bargaining agreements (CBAs) until the court rules on the City's request to reject such agreements.

The costs (e.g. legal counsel, financial experts, including counsel for the creditor's committee) of a bankruptcy case are estimated at $750,000 to $2 million, depending on how much litigation is involved and on whether and how quickly the creditors agree on a plan of adjustment that would enable the City to emerge from bankruptcy. If approved by the City Council, these costs would be included in the Pendency Plan and the FY 2009-10 City General Fund budget. The impacts to the community are difficult to quantify, but a significant decline in private sector investment during the bankruptcy proceedings is anticipated.

A bankruptcy petition would extend to all the funds of the City, with the exception of component units that are separate legal entities. For example, the bankruptcy case would not involve the Vallejo Sanitation and Flood Control District, the Redevelopment Agency, and the Housing Authority. While bankruptcy status would extend to all remaining funds of the City, most other funds with Federal or State restrictions would expect to continue to operate to use their restricted funds for only those restricted purposes. Examples include Transportation Funds, Water, Gas Tax, Development Impact fees, Landscape Districts, and Improvement Districts. Most importantly, the court-approved operating Pendency Plan would be anticipated to continue to provide for a core level of ongoing municipal services within the General Fund.

Why is it necessary to act now? Time is of the essence in filing the proposed petition. In order to present a orderly progression through the court system, bankruptcy counsel advised the City Council to file at least 30 and preferably 60 days prior to the point of insolvency. Further, given the City's bi-weekly pay period schedule, adoption and implementation of the Pendency Plan with staffing or pay adjustments would best be in place prior to the start of the June 21, 2008 pay period that spans into the subsequent fiscal year. While it is not possible to predict the timing of events in a chapter 9 case with any degree of certainty due to the judge's control of his/her calendar and because of motions and claims creditors may file, the proceedings would be pursued as expeditiously as possible.

IX. FY 2008-09 Proposed Budget

Staff intends to present a proposed Fiscal Year 2008 – 09 General Fund Budget that will reflect the actions necessary to ensure the Fund's solvency as the City proceeds through the bankruptcy process. With the protection provided by that process, the City can adjust service levels and payments of its obligations that would not otherwise be contractually allowed. Staff will defer certain debt and other obligations that will enable the City to maintain a breadth of City services through June 30, 2009. Staff will make additional recommendations to the bankruptcy court to sustain cash and municipal operations through June 30, 2009 while a long-term financial plan of adjustment of the City's obligations is constructed with our creditors and other business partners.

PROPOSED ACTION

If current labor contracts are honored at current staffing levels, staff believes the City is technically insolvent (as defined by the Bankruptcy Code) today because it will be unable to pay its debts as of July 1, 2008. Staff is recommending that the City Council adopt a resolution approving the filing of a petition under chapter 9 of the United States Bankruptcy Code. If the City Council adopts this resolution, staff will schedule a regular update during City Council meetings to provide the City Council and community status reports regarding the status of the chapter 9 case.

ENVIRONMENTAL REVIEW

The adoption of this resolution is not a project as defined by the California Environmental Quality Act (CEQA) pursuant to section 15378 (b)(4) of Title 14 of the California code of Regulations and is not subject to CEQA review.

DOCUMENTS ATTACHED

Attachment A - Resolution authorizing the City Manager to file a petition seeking Chapter 9 Bankruptcy
Attachment B - Chapter 9 Bankruptcy Background Article
Attachment C - General Fund Financial Projections through FY 2011-12
Attachment D - Revenue
- D.1 - General Fund Revenue Trends
- D.2 - History of Single Family Residence Median Sales Price/Sales Transactions
- D.3 - Retail Sales Tax per Capita

Attachment E - Expenditures
- E.1 - Salary and Benefits Pie Chart
- E.2 - Projected Salary Increases by Association
- E.3 - Historical Salary Increases by Association
- E.4 - Average Employee Costs for Selected Classifications
- E.5 - Salary and Benefit Assumptions
- E.6 - Retiree Health Projections and Actuarial Valuation
- E.7 - Authorized Staff Positions

Attachment F - Net Program Budgets
Attachment G – 13 City Comparison
Attachment H - General Fund Monthly Cash Flow Projections

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RESOLUTION NO. _____ N.C.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALLEJO AUTHORIZING FILING OF A PETITION UNDER CHAPTER 9 OF THE UNITED STATES BANKRUPTCY CODE

BE IT RESOLVED by the Council of the City of Vallejo as follows:

WHEREAS, the City Council has determined, after, among other things, taking into consideration the advice of City staff and of counsel, that it is in the best interests of the City, its creditors and other interested parties, that a petition under the provisions of chapter 9 of the United States Bankruptcy Code be filed by the City.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Vallejo that a petition under chapter 9 of the United States Bankruptcy Code shall be filed and the same hereby is approved and adopted in all respects, and the City Manager, or his designee, is hereby authorized and directed, on behalf of and in the name of the City, to execute and verify such petition and to cause the same to be filed with the United States Bankruptcy Court, Eastern District of California, Sacramento Division.

BE IT FURTHER RESOLVED that the City Manager and all other appropriate officials and employees of the City are hereby authorized to execute and file all petitions, schedules, lists and other papers, and to take any and all actions which they shall deem necessary and proper in connection with said chapter 9 case, and with a view to the successful completion of such case.

U.S. COURTS
BANKRUPTCY BASICS

Chapter 9

Municipality Bankruptcy

The chapter of the Bankruptcy Code providing for reorganization of municipalities (which includes cities and towns, as well as villages, counties, taxing districts, municipal utilities, and school districts).

The first municipal bankruptcy legislation was enacted in 1934 during the Great Depression. Pub. L. No. 251, 48 Stat. 798 (1934). Although Congress took care to draft the legislation so as not to interfere with the sovereign powers of the states guaranteed by the Tenth Amendment to the Constitution, the Supreme Court held the 1934 Act unconstitutional as an improper interference with the sovereignty of the states. *Ashton v. Cameron County Water Improvement Dist. No. 1, 298* U.S. 513, 532 (1936). Congress enacted a revised Municipal Bankruptcy Act in 1937, Pub. L. No. 302, 50 Stat. 653 (1937), which was upheld by the Supreme Court. *United States v. Bekins*, 304 U.S. 27, 54 (1938). The law has been amended several times since 1937. In the more than 60 years since Congress established a federal mechanism for the resolution of municipal debts, there have been fewer than 500 municipal bankruptcy petitions filed. Although chapter 9 cases are rare, a filing by a large municipality can— like the 1994 filing by Orange County, California—involve many millions of dollars in municipal debt.

Purpose of Municipal Bankruptcy

The purpose of chapter 9 is to provide a financially-distressed municipality protection from its creditors while it develops and negotiates a plan for adjusting its debts. Reorganization of the debts of a municipality is typically accomplished either by extending debt maturities, reducing the amount of principal or interest, or refinancing the debt by obtaining a new loan.

Although similar to other chapters in some respects, chapter 9 is significantly different in that there is no provision in the law for liquidation of the assets of the municipality and distribution of the proceeds to creditors. Such a liquidation or dissolution would undoubtedly violate the Tenth Amendment to the Constitution and the reservation to the states of sovereignty over their internal affairs. Indeed, due to the severe limitations placed upon the power of the bankruptcy court in chapter 9 cases (required by the Tenth Amendment and the Supreme Court's decisions in cases upholding municipal bankruptcy legislation), the bankruptcy court generally is not as active in managing a municipal bankruptcy case as it is in corporate reorganizations under chapter 11. The functions of the bankruptcy court in chapter 9 cases are generally limited to approving the petition (if the debtor is eligible), confirming a plan of debt adjustment, and ensuring implementation of the plan. As a practical matter, however, the municipality may consent to have the court exercise jurisdiction in many of the traditional areas of court oversight in bankruptcy, in order to obtain the protection of court orders and eliminate the need for multiple forums to decide issues.

Eligibility

Only a "municipality" may file for relief under chapter 9. 11 U.S.C. § 109(c). The term "municipality" is defined in the Bankruptcy Code as a "political subdivision or public agency or instrumentality of a State." 11 U.S.C. § 101(40). The definition is broad enough to include cities, counties, townships, school districts, and public improvement districts. It also includes revenue-producing bodies that provide services which are paid for by users rather than by general taxes, such as bridge authorities, highway authorities, and gas authorities.

Section 109(c) of the Bankruptcy Codes sets forth four additional eligibility requirements for chapter 9:

1. the municipality must be *specifically* authorized to be a debtor by State law or by a governmental officer or organization empowered by State law to authorize the municipality to be a debtor;
2. the municipality must be insolvent, as defined in 11 U.S.C. § 101(32)(C);
3. the municipality must desire to effect a plan to adjust its debts; and
4. the municipality must either:

    - obtain the agreement of creditors holding at least a majority in amount of the claims of each class that the debtor intends to impair under a plan in a case under chapter 9;
    - negotiate in good faith with creditors and fail to obtain the agreement of creditors holding at least a majority in amount of the claims of each class that the debtor intends to impair under a

plan;
- be unable to negotiate with creditors because such negotiation is impracticable; or
- reasonably believe that a creditor may attempt to obtain a preference

Commencement of the Case

Municipalities must voluntarily seek protection under the Bankruptcy Code. 11 U.S.C. §§ 303, 901(a). They may file a petition only under chapter 9. A case under chapter 9 concerning an unincorporated tax or special assessment district that does not have its own officials is commenced by the filing of a voluntary "petition under this chapter by such district's governing authority or the board or body having authority to levy taxes or assessments to meet the obligations of such district." 11 U.S.C. § 921(a).

A municipal debtor must file a list of creditors. 11 U.S.C. § 924. Normally, the debtor files the list of creditors with the petition. However, the bankruptcy court has discretion to fix a different time if the debtor is unable to prepare the list of creditors in the form and with the detail required by the Bankruptcy Rules at the time of filing. Fed. R. Bankr. P. 1007.

Assignment of Case to a Bankruptcy Judge

One significant difference between chapter 9 cases and cases filed under other chapters is that the clerk of court does not automatically assign the case to a particular judge. "The chief judge of the court of appeals for the circuit embracing the district in which the case is commenced [designates] the bankruptcy judge to conduct the case." 11 U.S.C. § 921(b). This provision was designed to remove politics from the issue of which judge will preside over the chapter 9 case of a major municipality and to ensure that a municipal case will be handled by a judge who has the time and capability of doing so.

Notice of Case/ Objections/ Order for Relief

The Bankruptcy Code requires that notice be given of the commencement of the case and the order for relief. 11 U.S.C. § 923. The Bankruptcy Rules provide that the clerk, or such other person as the court may direct, is to give notice. Fed. R. Bankr. P. 2002(f). The notice must also be published "at least once a week for three successive weeks in at least one newspaper of general circulation published within the district in which the case is commenced, and in such other newspaper having a general circulation among bond dealers and bondholders as the court designates." 11 U.S.C. § 923. The court typically enters an order designating who is to give and receive notice by mail and identifying the newspapers in which the additional notice is to be published. Fed. R. Bankr. P. 9007, 9008.

The Bankruptcy Code permits objections to the petition. 11 U.S.C. § 921(c). Typically, objections concern issues like whether negotiations have been conducted in good faith, whether the state has authorized the municipality to file, and whether the petition was filed in good faith. If an objection to the petition is filed, the court must hold a hearing on the objection. *Id.* The court may dismiss a petition if it determines that the debtor did not file the petition in good faith or that the petition does not meet the requirements of title 11. *Id.*

If the petition is not dismissed upon an objection, the Bankruptcy Code requires the court to order relief, allowing the case to proceed under chapter 9. 11 U.S.C. § 921(d).

Automatic Stay

The automatic stay of section 362 of the Bankruptcy Code is applicable in chapter 9 cases. 11 U.S.C. §§ 362(a), 901(a). The stay operates to stop all collection actions against the debtor and its property upon the filing of the petition. Additional automatic stay provisions are applicable in chapter 9 that prohibit actions against officers and inhabitants of the debtor if the action seeks to enforce a claim against the debtor. 11 U.S.C. § 922(a). Thus, the stay prohibits a creditor from bringing a mandamus action against an officer of a municipality on account of a prepetition debt. It also prohibits a creditor from bringing an action against an inhabitant of the debtor to enforce a lien on or arising out of taxes or assessments owed to the debtor.

Section 922(d) of title 11 limits the applicability of the stay. Under that section, a chapter 9 petition does not operate to stay application of pledged special revenues to payment of indebtedness secured by such revenues. Thus, an indenture trustee or other paying agent may apply pledged funds to payments coming due or distribute the pledged funds to bondholders without violating the automatic stay.

Proofs of Claim

In a chapter 9 case, the court fixes the time within which proofs of claim or interest may be filed. Fed. R. Bankr. P. 3003(c)(3). Many creditors may not be required to file a proof of claim in a chapter 9 case. For example, a proof of claim is deemed filed if it appears on the list of creditors filed by the debtor, unless the debt is listed as disputed, contingent, or unliquidated. 11 U.S.C. § 925. Thus, a creditor must file a proof of claim if the creditor's claim appears on the list of creditors as disputed, contingent, or unliquidated.

Court's Limited Power

Sections 903 and 904 of the Bankruptcy Code are designed to recognize the court's limited power over operations of the debtor.

Section 904 limits the power of the bankruptcy court to "interfere with – (1) any of the political or governmental powers of the debtor; (2) any of the property or revenues of the debtor; or (3) the debtor's use or enjoyment of any income-producing property" unless the debtor consents or the plan so provides. The provision makes it clear that the debtor's day-to-day activities are not subject to court approval and that the debtor may borrow money without court authority. In addition, the court cannot appoint a trustee (except for limited purposes specified in 11 U.S.C. § 926(a)) and cannot convert the case to a liquidation proceeding.

The court also cannot interfere with the operations of the debtor or with the debtor's use of its property and revenues. This is due, at least in part, to the fact that in a chapter 9 case, there is no property of the estate and thus no estate to administer. 11 U.S.C. § 902(1). Moreover, a chapter 9 debtor may employ professionals without court approval, and the only court review of fees is in the context of plan confirmation, when the court determines the reasonableness of the fees.

The restrictions imposed by 11 U.S.C. § 904 are necessary to ensure the constitutionality of chapter 9 and to avoid the possibility that the court might substitute its control over the political or governmental affairs or property of the debtor for that of the state and the elected officials of the municipality.

Similarly, 11 U.S.C. § 903 states that "chapter [9] does not limit or impair the power of a State to control, by legislation or otherwise, a municipality of or in such State in the exercise of the political or governmental powers of the municipality, including expenditures for such exercise," with two exceptions – a state law prescribing a method of composition of municipal debt does not bind any non-consenting creditor, nor does any judgment entered under such state law bind a nonconsenting creditor.

Role of the U.S. trustee/bankruptcy administrator

In a chapter 9 case, the role of the U.S. trustee (or the bankruptcy administrator in North Carolina or Alabama) (1) is typically more limited than in chapter 11 cases. Although the U.S. trustee appoints a creditors' committee, the U.S. trustee does not examine the debtor at a meeting of creditors (there is no meeting of creditors), does not have the authority to move for appointment of a trustee or examiner or for conversion of the case, and does not supervise the administration of the case. Further, the U.S. trustee does not monitor the financial operations of the debtor or review the fees of professionals retained in the case.

Role of Creditors

The role of creditors is more limited in chapter 9 than in other cases. There is no first meeting of creditors, and creditors may not propose competing plans. If certain requirements are met, the debtor's plan is binding on dissenting creditors. The chapter 9 debtor has more freedom to operate without court-imposed restrictions.

In each chapter 9 case, however, there is a creditors' committee that has powers and duties that are very similar to those of a committee in a chapter 11 case. These powers and duties include selecting and authorizing the employment of one or more attorneys, accountants, or other agents to represent the committee; consulting with the debtor concerning administration of the case; investigating the acts, conduct, assets, liabilities, and financial condition of the debtor; participating in the formulation of a plan; and performing such other services as are in the interest of those represented. 11

U.S.C. §§ 901(a), 1103.

Intervention/Right of Others to be Heard

When cities or counties file for relief under chapter 9, there may be a great deal of interest in the case from entities wanting to appear and be heard. The Bankruptcy Rules provide that "[t]he Secretary of the Treasury of the United States may, or if requested by the court shall, intervene in a chapter 9 case." Fed. R. Bankr. P. 2018(c). Further, "[r]epresentatives of the state in which the debtor is located may intervene in a chapter 9 case." *Id.* In addition, the Bankruptcy Code permits the Securities and Exchange Commission to appear and be heard on any issue and gives parties in interest the right to appear and be heard on any issue in a case. 11 U.S.C. §§ 901(a), 1109. Parties in interest include municipal employees, local residents, non-resident owners of real property, special tax payers, securities firms, and local banks.

Powers of the Debtor

Due to statutory limitations placed upon the power of the court in a municipal debt adjustment proceeding, the court is far less involved in the conduct of a municipal bankruptcy case (and in the operation of the municipal entity) while the debtor's financial affairs are undergoing reorganization. The municipal debtor has broad powers to use its property, raise taxes, and make expenditures as it sees fit. It is also permitted to adjust burdensome non-debt contractual relationships under the power to reject executory contracts and unexpired leases, subject to court approval, and it has the same avoiding powers as other debtors. Municipalities may also reject collective bargaining agreements and retiree benefit plans without going through the usual procedures required in chapter 11 cases.

A municipality has authority to borrow money during a chapter 9 case as an administrative expense. 11 U.S.C. §§ 364, 901(a). This ability is important to the survival of a municipality that has exhausted all other resources. A chapter 9 municipality has the same power to obtain credit as it does outside of bankruptcy. The court does not have supervisory authority over the amount of debt the municipality incurs in its operation. The municipality may employ professionals without court approval, and the professional fees incurred are reviewed only within the context of plan confirmation.

Dismissal

As previously noted, the court may dismiss a chapter 9 petition, after notice and a hearing, if it concludes the debtor did not file the petition in good faith or if the petition does not meet the requirements of chapter 9. 11 U.S.C. § 921(c). The court may also dismiss the petition for cause, such as for lack of prosecution, unreasonable delay by the debtor that is prejudicial to creditors, failure to propose or confirm a plan within the time fixed by the court, material default by the debtor under a confirmed plan, or termination of a confirmed plan by reason of the occurrence of a condition specified in the plan. 11 U.S.C. § 930.

Treatment of Bondholders and Other Lenders

Different types of bonds receive different treatment in municipal bankruptcy cases. General obligation bonds are treated as general debt in the chapter 9 case. The municipality is not required to make payments of either principal or interest on account of such bonds during the case. The obligations created by general obligation bonds are subject to negotiation and possible restructuring under the plan of adjustment.

Special revenue bonds, by contrast, will continue to be secured and serviced during the pendency of the chapter 9 case through continuing application and payment of ongoing special revenues. 11 U.S.C. § 928. Holders of special revenue bonds can expect to receive payment on such bonds during the chapter 9 case if special revenues are available. The application of pledged special revenues to indebtedness secured by such revenues is not stayed as long as the pledge is consistent with 11 U.S.C. § 928 [§ 922(d) erroneously refers to § 927 rather than § 928], which insures that a lien of special revenues is subordinate to the operating expenses of the project or system from which the revenues are derived. 11 U.S.C. § 922(d).

Bondholders generally do not have to worry about the threat of preference liability with respect to any prepetition payments on account of bonds or notes, whether special revenue or general obligations. Any transfer of the municipal debtor's property to a noteholder or bondholder on account of a note or bond cannot be avoided as a preference, *i.e.*, as an unauthorized payment to a creditor made while the debtor was insolvent. 11 U.S.C. § 926(b).

Plan for Adjustment of Debts

The Bankruptcy Code provides that the debtor must file a plan. 11 U.S.C. § 941. The plan must be filed with the petition or at such later time as the court fixes. There is no provision in chapter 9 allowing creditors or other parties in interest to file a plan. This limitation is required by the Supreme Court's pronouncements in *Ashton*, 298 U.S. at 528, and *Bekins*, 304 U.S. at 51, which interpreted the Tenth Amendment as requiring that a municipality be left in control of its governmental affairs during a chapter 9 case. Neither creditors nor the court may control the affairs of a municipality indirectly through the mechanism of proposing a plan of adjustment of the municipality's debts that would in effect determine the municipality's future tax and spending decisions.

Confirmation Standards

The standards for plan confirmation in chapter 9 cases are a combination of the statutory requirements of 11 U.S.C. § 943(b) and those portions of 11 U.S.C. § 1129 (the chapter 11 confirmation standards) made applicable by 11 U.S.C. § 901(a). Section 943(b) lists seven general conditions required for confirmation of a plan. The court must confirm a plan if the following conditions are met:

1. the plan complies with the provisions of title 11 made applicable by sections 103(e) and 901;
2. the plan complies with the provisions of chapter 9;

3. all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable;
4. the debtor is not prohibited by law from taking any action necessary to carry out the plan;
5. except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that on the effective date of the plan, each holder of a claim of a kind specified in section 507(a)(1) will receive on account of such claim cash equal to the allowed amount of such claim;
6. any regulatory or electoral approval necessary under applicable nonbankruptcy law in order to carry out any provision of the plan has been obtained, or such provision is expressly conditioned on such approval; and
7. the plan is in the best interests of creditors and is feasible.

11 U.S.C. § 943(b).

Section 943(b)(1) requires as a condition for confirmation that the plan comply with the provisions of the Bankruptcy Code made applicable by sections 103(e) and 901(a) of the Bankruptcy Code. The most important of these for purposes of confirming a plan are those provisions of 11 U.S.C. § 1129 (*i.e.*, § 1129(a)(2), (a)(3), (a)(6), (a)(8), (a)(10)) that are made applicable by 11 U.S.C. § 901(a). Section 1129(a)(8) requires, as a condition to confirmation, that the plan has been accepted by each class of claims or interests impaired under the plan. Therefore, if the plan proposes treatment for a class of creditors such that the class is impaired (*i.e.*, the creditor's legal, equitable, or contractual rights are altered), then that class's acceptance is required. If the class is not impaired, then acceptance by that class is not required as a condition to confirmation. Under 11 U.S.C. § 1129(a)(10), the court may confirm the plan only if, should any class of claims be impaired under the plan, at least one impaired class has accepted the plan. If only one impaired class of creditors consents to the plan, plan confirmation is still possible under the "cram down" provisions of 11 U.S.C. § 1129(b). Under "cram down," if all other requirements are met except the § 1129(a)(8) requirement that all classes either be unimpaired or have accepted the plan, then the plan is confirmable if it does not discriminate unfairly and is fair and equitable.

The requirement that the plan be in the "best interests of creditors" means something different under chapter 9 than under chapter 11. Under chapter 11, a plan is said to be in the "best interest of creditors" if creditors would receive as much under the plan as they would if the debtor were liquidated. 11 U.S.C. § 1129(a)(7)(A)(ii). Obviously, a different interpretation is needed in chapter 9 cases because a municipality's assets cannot be liquidated to pay creditors. In the chapter 9 context, the "best interests of creditors" test has generally been interpreted to mean that the plan must be better than other alternatives available to the creditors. *See* 6 COLLIER ON BANKRUPTCY § 943.03[7] (15th ed. rev. 2005). Generally speaking, the alternative to chapter 9 is dismissal of the case, permitting every creditor to fend for itself. An interpretation of the " best interests of creditors" test to require that the municipality devote all resources available to the repayment of creditors would appear to exceed the standard. The courts generally apply the test to require a reasonable effort by the municipal debtor that is a better alternative for its creditors than dismissal of the case. *Id.*

Parties in interest may object to confirmation, including creditors whose claims are affected by the plan, an organization of employees of the debtor, and other tax payers, as well as the Securities and Exchange Commission. 11 U.S.C. §§ 901(a), 943, 1109, 1128(b).

Discharge

A municipal debtor receives a discharge in a chapter 9 case after: (1) confirmation of the plan; (2) deposit by the debtor of any consideration to be distributed under the plan with the disbursing agent appointed by the court; and (3) a determination by the court that securities deposited with the disbursing agent will constitute valid legal obligations of the debtor and that any provision made to pay or secure payment of such obligations is valid. 11 U.S.C. § 944(b). Thus, the discharge is conditioned not only upon confirmation, but also upon deposit of the consideration to be distributed under the plan and a court determination of the validity of securities to be issued.

There are two exceptions to the discharge in chapter 9 cases. The first is for any debt excepted from discharge by the plan or order confirming the plan. The second is for a debt owed to an entity that, before confirmation of the plan, had neither notice nor actual knowledge of the case. 11 U.S.C. § 944(c).

At any time within 180 days after entry of the confirmation order, the court may, after notice and a hearing, revoke the order of confirmation if the order was procured by fraud. 11 U.S.C. §§ 901(a), 1144.

NOTES

1. In North Carolina and Alabama, bankruptcy administrators perform similar functions that United States trustees perform in the remaining forty-eight states. The bankruptcy administrator program is administered by the Administrative Office of the United States Courts, while the United States trustee program is administered by the Department of Justice. For purposes of this publication, references to United States trustees are also applicable to bankruptcy administrators. return to text

Attachment C

As of 5-2-08

City of Vallejo General Fund - Fund Balance Projection

	FY 05-06	FY 06-07	FY 07-08			FY 08-09		
						A	B	C
	Actual	Actual	Original Budget	Projected at 3-3-08 (Before Action)	Amended Budget 3-11-08	Contract Rates and Current Operations 8 Stations 134 Officers 9% Debt	Current Salaries and Reduced Operations 6 Stations 129 Officers 9% Debt	5% Rollback 6 Stations 129 Officers 6% Debt
Beginning Available Balance	9,878,065	7,751,830	3,870,634	4,242,256	4,242,256	-	-	-
Revenues								
Property tax	15,857,808	18,776,182	19,426,244	19,578,142	19,578,142	19,082,615	19,082,615	19,082,615
Sales tax	13,819,405	13,353,505	13,880,000	12,050,000	12,050,000	12,315,000	12,315,000	12,315,000
Other general revenues	38,786,701	37,636,853	39,339,617	35,904,756	35,904,756	35,633,860	36,033,860	36,033,860
Program revenues	12,645,644	12,741,038	13,143,279	13,424,997	13,424,997	11,900,181	11,900,181	11,900,181
One-time interfund transfers	-	-	-	-	2,240,000		1,000,000	1,000,000
State budget risk	-	-	-	-		(1,000,000)	(1,000,000)	(1,000,000)
New revenues	-	-	-	-		-	-	-
	81,109,558	82,507,578	85,789,140	80,957,895	83,197,895	77,931,656	79,331,656	79,331,656
Expenditures								
Salaries and benefits:								
Police - VPOA			29,936,391	30,320,177	29,936,391	30,481,955	26,395,567	25,331,496
Fire - IAFF			20,387,519	25,095,873	20,387,519	25,795,461	19,044,951	18,166,730
Training Academy			-	-	-	475,000		300,000
Misc - IBEW			15,355,015	15,355,024	15,355,024	13,655,335	13,350,501	12,781,515
Management-CAMP/Other			8,923,510	9,111,046	8,923,510	8,996,689	8,786,281	8,622,333
Other updates/vacancies				(706,244)	(349,592)		(500,000)	(500,000)
	66,758,700	72,553,936	74,602,435	79,175,876	74,252,852	79,404,440	67,077,300	64,702,074
Service and supplies:								
Vehicle maint/replacement	2,257,722	2,551,113	3,580,857	3,079,094	3,070,003	4,729,896	3,104,896	3,104,896
Retiree Health -pay as go	1,875,802	2,193,913	2,560,214	2,560,214	2,644,214	3,000,000	3,000,000	3,000,000
Retiree Health -prefunding	-	-	-	-	-			-
Compensated absences	1,446,903	1,314,168	1,750,000	5,300,000	3,600,000	3,450,000	3,450,000	3,450,000
Street maintenance	-	-	-	-	-	-	-	-
Contributions to other agencies	1,520,950	1,765,099	1,603,400	1,603,400	1,603,400	1,600,000	750,000	750,000
Other	8,913,310	9,372,598	10,236,594	10,904,127	10,625,465	9,962,552	9,962,552	9,962,552
Encumbrances	214,779	339,682	-	-		-	-	-
	16,229,466	17,536,573	19,731,065	23,446,835	21,543,082	22,742,448	20,267,448	20,267,448
Interfund transfers:						*Interest rate risk*		
General Fund Debt Service	1,292,314	1,452,387	1,813,642	2,113,642	2,113,642	2,082,896	2,082,896	1,620,650
Marina Fund Debt Service	-	-		-	-	950,000	950,000	600,000
Other	5,912,934	1,725,303	-	100,000	100,000	-	-	-
Interfund reimbursements	(5,869,412)	(6,585,663)	(10,358,002)	(10,678,519)	(10,569,425)	(10,259,113)	(10,259,113)	(10,259,113)
Subtotal, expenditures	84,324,002	86,682,536	85,789,140	94,157,834	87,440,151	94,920,671	80,118,531	76,931,059
Annual Operating Results	(3,214,444)	(4,174,958)	-	(13,199,939)	(4,242,256)	(16,989,015)	(786,875)	2,400,597
Reserve Transactions	1,088,209	665,384		-	-	-	-	-
Ending Available Balance	7,751,830	4,242,256	3,870,634	(8,957,683)	0	(16,989,015)	(786,875)	2,400,597
% annual expenditures	9%	5%	5%	-10%	0%	-17.9%	-1.0%	3.1%
Memo - Potential New Revenues:								
Council-approved new revenues						1,450,000	1,450,000	1,450,000
Contribution to Supplemental Reserve						(1,450,000)	(1,450,000)	(1,450,000)
Surplus property sales						250,000	250,000	250,000
Contribution to Capital reserve						(250,000)	(250,000)	(250,000)
						-	-	-

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Attachment C

As of 5-2-08

	FY 09-10			FY 10-11			FY 11-12		
	A	B	C	A	B	C	A	B	C
	Contract Rates and Current Operations	Current Salaries and Reduced Operations	5% Rollback	Contract Rates and Current Operations	Current Salaries and Reduced Operations	5% Rollback/ Current Rate	Contract Rates and Current Operations	Current Salaries and Reduced Operations	5% Rollback/ Current Rate
	8 Stations 134 Officers 9% Debt	6 Stations 129 Officers 9% Debt	6 Stations 129 Officers 6% Debt	8 Stations 134 Officers 9% Debt	6 Stations 129 Officers 9% Debt	6 Stations 129 Officers 6% Debt	8 Stations 134 Officers 9% Debt	6 Stations 129 Officers 9% Debt	6 Stations 129 Officers 6% Debt
Beginning Available Balance	(16,989,015)	(786,875)	2,400,597	(34,255,458)	(2,358,597)	4,314,739	(53,996,360)	(3,233,406)	4,252,176
Revenues									
Property tax	19,082,615	19,082,615	19,082,615	19,668,594	19,668,594	19,668,594	20,272,151	20,272,151	20,272,151
Sales tax	12,315,000	12,315,000	12,315,000	12,693,000	12,693,000	12,693,000	13,082,340	13,082,340	13,082,340
Other general revenues	36,278,614	36,678,614	36,678,614	37,323,151	37,723,151	37,723,151	38,267,666	38,667,666	38,667,666
Program revenues	11,949,556	11,949,556	11,949,556	12,441,017	12,441,017	12,441,017	12,471,414	12,471,414	12,471,414
One-time interfund transfers	-	-	-	-	-	-	-	-	-
State budget risk	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
New revenues	-	-	-	-	-	-	-	-	-
	78,625,785	79,025,785	79,025,785	81,125,762	81,525,762	81,525,762	83,093,571	83,493,571	83,493,571
Expenditures									
Salaries and benefits:									
Police - VPOA	32,175,275	26,517,167	25,453,096	33,963,557	26,647,215	26,647,215	35,852,256	26,786,479	26,786,479
Fire - IAFF	27,226,763	19,119,051	18,240,830	28,738,107	19,198,299	19,198,299	30,334,062	19,283,163	19,283,163
Training Academy	475,000	-	-	-	-	-	-	-	-
Misc - IBEW	14,123,883	13,469,061	12,900,075	14,610,636	13,595,858	13,595,858	15,116,779	13,731,640	13,731,640
Management-CAMP/Other	9,141,629	8,742,550	8,580,210	9,390,969	8,795,804	8,795,804	9,650,770	8,852,832	8,852,832
Other updates/vacancies	-	-	-	-	-	-	-	-	-
	83,142,550	67,847,829	65,174,211	86,703,269	68,237,176	68,237,176	90,953,867	68,654,114	68,654,114
Service and supplies:									
Vehicle maint/replacement	4,269,092	4,269,092	4,269,092	4,439,856	4,439,856	4,439,856	4,617,450	4,617,450	4,617,450
Retiree Health -pay as go	3,300,000	3,300,000	3,300,000	3,800,000	3,800,000	3,800,000	4,300,000	4,300,000	4,300,000
Retiree Health -prefunding	-			500,000	500,000	500,000	1,000,000	1,000,000	1,000,000
Compensated absences	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000	1,750,000
Street maintenance	-	-	-	250,000	250,000	250,000	450,000	450,000	450,000
Contributions to other agencies	750,000	750,000	750,000	750,000	750,000	750,000	1,600,000	750,000	750,000
Other	9,906,803	9,906,803	9,906,803	10,104,939	10,104,939	10,104,939	10,307,038	10,307,038	10,307,038
Encumbrances	-	-	-	-	-	-	-	-	-
	19,975,895	19,975,895	19,975,895	21,594,795	21,594,795	21,594,795	24,024,488	23,174,488	23,174,488
Interfund transfers:	*Interest rate risk*			*Interest rate risk*			*Interest rate risk*		
General Fund Debt Service	2,082,896	2,082,896	1,620,650	2,082,896	2,082,896	1,620,650	2,082,896	2,082,896	1,620,650
Marina Fund Debt Service	950,000	950,000	600,000	950,000	950,000	600,000	950,000	950,000	600,000
Other	-	-	-	-	-	-	-	-	-
Interfund reimbursements	(10,259,113)	(10,259,113)	(10,259,113)	(10,464,295)	(10,464,295)	(10,464,295)	(10,673,581)	(10,673,581)	(10,673,581)
Subtotal, expenditures	95,892,228	80,597,507	77,111,643	100,866,664	82,400,571	81,588,325	107,337,670	84,187,917	83,375,671
Annual Operating Results	(17,266,443)	(1,571,722)	1,914,142	(19,740,902)	(874,809)	(62,563)	(24,244,099)	(694,346)	117,900
Reserve Transactions	-	-	-	-	-	-	-	-	-
Ending Available Balance	(34,255,458)	(2,358,597)	4,314,739	(53,996,360)	(3,233,406)	4,252,176	(78,240,459)	(3,927,752)	4,370,076
% annual expenditures	-35.7%	-2.9%	5.6%	-53.5%	-3.9%	5.2%	-72.9%	-4.7%	5.2%
Memo - Potential New Revenues:									
Council-approved new revenues	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000	2,700,000
Contribution to Supplemental Reserve	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)	(2,700,000)
Surplus property sales	500,000	500,000	500,000	500,000	500,000	500,000	250,000	250,000	250,000
Contribution to Capital reserve	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(250,000)	(250,000)	(250,000)
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As of 5-2-08

City of Vallejo General Fund
Revenue Trends
(Net of Mare Island Allocations)

	2005-06	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12	
	Actual	Actual	% vs PY	Projection at 3/3/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY
General Revenues													
Property Taxes													
CURRENT SECURED TAXES	14,027,383	16,141,292	15%	17,516,183	9%	17,516,183	0%	17,516,183	0%	18,055,168	3%	18,610,324	3%
CURRENT UNSECURED TAXES	474,469	527,720	11%	619,444	17%	630,524	2%	630,524	0%	649,440	3%	668,923	3%
SUPPLEMENTAL TAXES	2,056,575	1,437,746	-30%	771,454	-46%	350,000	-55%	350,000	0%	360,500	3%	371,315	3%
HOMEOWNERS EXEMPTN TAX	199,849	201,317	1%	188,343	-6%	188,343	0%	188,343	0%	193,993	3%	199,813	3%
UNITARY TAXES	305,430	310,083	2%	367,217	18%	357,565	-3%	357,565	0%	368,292	3%	379,341	3%
TAX INCREMENT PASS-THROUGH	-	158,024		-	-100%	40,000		40,000	0%	41,200	3%	42,436	3%
SB 1096 ERAF	(1,205,898)	-		-		-		-		-		-	
	15,857,808	18,776,182	18%	19,462,641	4%	19,082,615	-2%	19,082,615	0%	19,668,594	3%	20,272,151	3%
Sales Tax	13,819,405	13,353,505	-3%	12,381,752	-7%	12,315,000	-1%	12,315,000	0%	12,693,000	3%	13,082,340	3%
Motor Vehicle License Fees	8,592,520	9,536,759	11%	10,512,621	10%	10,512,621	0%	10,512,621	0%	10,828,000	3%	11,152,840	3%
Transit Occupancy Tax	1,405,410	1,618,954	15%	1,500,000	-7%	1,600,000	7%	1,600,000	0%	1,600,000	0%	1,600,000	0%
Real Property Excise Tax	256,438	662,491	158%	115,000	-83%	300,000	161%	300,000	0%	345,000	15%	345,000	0%
Franchise	2,377,793	3,061,529	29%	4,010,165	31%	4,427,850	10%	4,649,556	5%	4,882,724	5%	5,127,883	5%
UUT	12,488,855	12,504,321	0%	12,793,840	2%	13,152,946	3%	13,504,157	3%	13,801,872	2%	14,042,083	2%
Property Transfer Tax	5,106,488	3,778,090	-26%	1,595,000	-58%	1,665,000	4%	1,665,000	0%	1,713,250	3%	1,762,863	3%
Business License	1,298,046	1,388,111	7%	1,390,000	0%	1,390,000	0%	1,390,000	0%	1,390,000	0%	1,390,000	0%
Subtotal, Taxes	61,202,763	64,679,942	6%	63,761,019	-1%	64,446,032	1%	65,018,949	1%	66,922,440	3%	68,775,160	3%
	-	-				-		-		-		-	
Revenue From Use of Money													
RENTALS	187,859	56,498	-70%	724,009	1181%	826,211	14%	841,736	2%	890,811	6%	917,873	3%
INVESTMENT INCOME	315,289	206,061	-35%	(250,000)	-221%	(250,000)	0%	(250,000)	0%	(250,000)	0%	(250,000)	0%
	503,148	262,559	-48%	474,009	81%	576,211	22%	591,736	3%	640,811	8%	667,873	4%
Misc													
WATER RETURN TO RATE BASE	2,762,722	2,867,434	4%	-		-		-		-		-	
WATER RIGHTS	-	-		1,013,332		1,043,732	3%	1,075,044	3%	1,107,295	3%	1,140,514	3%
OTHER	709,093	285,784	-60%	571,656	100%	575,500	1%	575,500	0%	575,500	0%	575,500	0%
	3,471,815	3,153,218	-9%	1,584,988	-50%	1,619,232	2%	1,650,544	2%	1,682,795	2%	1,716,014	2%
Transfers													
SIX FLAGS/DISCOVERY KINGDOM	2,977,418	1,454,098	-51%	1,680,000	16%	785,000	-54%	790,000	3%	813,700	3%	838,111	3%
OTHER FUNDS	308,770	216,723	-30%	2,690,700	1142%	1,025,000	-62%	25,000	-98%	25,000	0%	25,000	0%
	3,286,188	1,670,821	-49%	4,370,700	162%	1,790,000	-59%	815,000	-54%	838,700	3%	863,111	3%
State Budget Risk						(1,000,000)		(1,000,000)	0%	(1,000,000)	0%	(1,000,000)	0%
Proposed new revenues (TBD)						-		-		-		-	
Subtotal, General Revenues	68,463,914	69,766,540	2%	70,190,716	1%	67,431,475	-4%	67,076,229	-1%	69,084,746	3%	71,022,157	3%
	-	-		-		-		-		-		-	

Attachment D.1

Attachment D.1

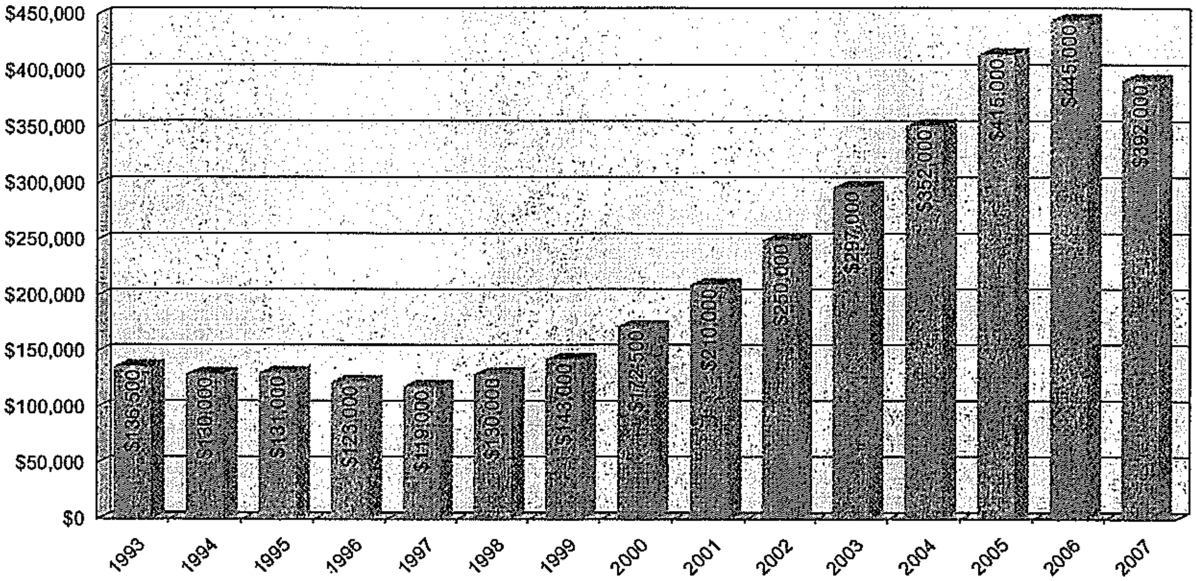
	2005-06	2006-07		2007-08		2008-09		2009-10		2010-11		2011-12	
	Actual	Actual	% vs PY	Projection at 3/3/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY	Projection at 3/17/08	% vs PY
Program Revenues													
Development Services													
BUILDING FEES	2,672,397	1,854,869	-31%	1,751,761	-6%	1,625,000	-7%	1,625,000	0%	1,868,750	15%	1,868,750	0%
PLANNING FEES	671,568	490,958	-27%	373,035	-24%	437,987	17%	437,987	0%	503,687	15%	503,687	0%
CODE ENFORCEMENT FEES	199,933	232,904	16%	285,000	22%	443,625	56%	493,000	11%	545,500	11%	545,500	0%
	3,543,898	2,578,731	-27%	2,409,796	-7%	2,506,612	4%	2,555,987	2%	2,917,937	14%	2,917,937	0%
Administration													
FINANCE - BOND ISSUANCE FEES	-	5,000		-		-		-		-		-	
HUMAN RESOURCES - VSFCD	202,034	227,255	12%	-		-		-		-		-	
	202,034	232,255	15%	-		-		-		-		-	
Economic Development													
DOWNTOWN MANAGEMENT DIST	141,941	141,941	0%	205,000	44%	205,000	0%	205,000	0%	205,000	0%	205,000	0%
DOWNTOWN IMPROVEMENT DIST	22,300	30,665	38%	35,000	14%	35,000	0%	35,000	0%	35,000	0%	35,000	0%
TOURISM BUSINESS IMP DIST	223,188	211,972	-5%	306,500	45%	306,000	0%	306,000	0%	306,000	0%	306,000	0%
MOBILE HOME FEES	12,840	11,688	-9%	12,000	3%	-		-		-		-	
	400,269	396,266	-1%	558,500	41%	546,000	-2%	546,000	0%	546,000	0%	546,000	0%
Fire													
MARE ISLAND/STATION 9 ALLOCATION	2,149,788	2,603,100	21%	2,740,711	5%	2,384,419	-13%	2,384,419	0%	2,384,419	0%	2,384,419	0%
EAST VALLEJO FIRE DIST.	458,169	498,062	9%	500,000	0%	500,000	0%	500,000	0%	515,000	3%	530,450	3%
GRANTS	221,983	26,731	-88%	-	-100%	-		-		-		-	
MISC REIMBURSEMENTS	45,905	263,239	473%	90,000	-66%	30,000	-67%	30,000	0%	30,000	0%	30,000	0%
CONFINED SPACE RESCUE	20,000	10,000	-50%	10,000	0%	10,000	0%	10,000	0%	10,000	0%	10,000	0%
AMBULANCE SAVNGS-SOLNO CO	71,559	167,673	134%	144,000	-14%	144,000	0%	144,000	0%	144,000	0%	144,000	0%
PLAN REVIEW FEES	55,506	65,628	18%	35,000	-47%	35,000	0%	35,000	0%	35,000	0%	35,000	0%
INSPECTION FEES	32,365	50,949	57%	36,400	-29%	36,400	0%	36,400	0%	36,400	0%	36,400	0%
WEED ABATEMENT	36,654	96,409	163%	143,000	48%	-		-		-		-	
OTHER	570	1,080	89%	500	-54%	500	0%	500	0%	500	0%	500	0%
	3,092,499	3,782,871	22%	3,699,611	-2%	3,140,319	-15%	3,140,319	0%	3,155,319	0%	3,170,769	0%
Police													
PROP 172 - SALES TAX	473,633	474,229	0%	483,715	2%	483,715	0%	483,715	0%	498,226	3%	513,173	3%
MARE ISLAND	630,504	923,700	47%	1,056,173	14%	1,122,935	6%	1,122,935	0%	1,122,935	0%	1,122,935	0%
SCHOOL DISTRICT	446,667	421,333	-6%	396,000	-6%	200,000	-49%	200,000	0%	200,000	0%	200,000	0%
HIGH TECH TASK FORCE	435,152	353,095	-19%	592,644	68%	400,000	-33%	400,000	0%	400,000	0%	400,000	0%
POST REIMBURSEMENTS	97,935	83,528	-15%	80,000	-4%	100,000	25%	100,000	0%	100,000	0%	100,000	0%
OVERTIME REIMBURSEMENT	154,519	169,018	9%	120,000	-29%	120,000	0%	120,000	0%	120,000	0%	120,000	0%
ANTI-GANG GRANT	-	-		140,000		-		-		-		-	
VEHICLE FINES - CITY	524,137	416,213	-21%	355,000	-15%	400,000	13%	400,000	0%	400,000	0%	400,000	0%
PARKING FINES	507,013	566,761	12%	560,000	-1%	560,000	0%	560,000	0%	560,000	0%	560,000	0%
ABANDONED VEHICLES	103,218	140,532	36%	75,000	-47%	75,000	0%	75,000	0%	75,000	0%	75,000	0%
POLICE IMPOUND FEES	73,356	84,905	16%	85,000	0%	85,000	0%	85,000	0%	85,000	0%	85,000	0%
FALSE ALARM FEES	59,107	61,717	4%	100,000	62%	200,000	100%	200,000	0%	200,000	0%	200,000	0%
OTHER (including new grants)	198,359	114,896	-42%	396,500	245%	229,500	-42%	229,500	0%	179,500	-22%	179,500	0%
OTHER (one-time items)	141,057	586,675	316%	-		-		-		-		-	
	3,844,657	4,396,602	14%	4,440,032	1%	3,976,150	-10%	3,976,150	0%	3,940,661	-1%	3,955,608	0%
Public Works													
ENGINEERING FEES	1,056,855	822,174	-22%	1,161,000	41%	1,000,000	-14%	1,000,000	0%	1,150,000	15%	1,150,000	0%
GRADING PERMIT FEES	225,520	261,855	16%	100,000	-62%	100,000	0%	100,000	0%	100,000	0%	100,000	0%
WASTE MANAGEMENT	143,800	79,500	-45%	249,800	214%	249,800	0%	249,800	0%	249,800	0%	249,800	0%
OTHER	136,112	190,784	40%	388,440	104%	381,300	-2%	381,300	0%	381,300	0%	381,300	0%
	1,562,287	1,354,313	-13%	1,899,240	40%	1,731,100	-9%	1,731,100	0%	1,881,100	9%	1,881,100	0%
Subtotal, Program Revenues	12,645,644	12,741,038	1%	13,007,179	2%	11,900,181	-9%	11,949,556	0%	12,441,017	4%	12,471,414	0%
Total	81,109,558	82,507,578	2%	83,197,895	1%	79,331,656	-5%	79,025,785	0%	81,525,762	3%	83,493,571	2%

P:\08-09 Budget\General Fund\Revenues\[Gen Fund Rev Lead Schedule at 5-2-08_3-6 Staff Report.xls]08-09 Summary

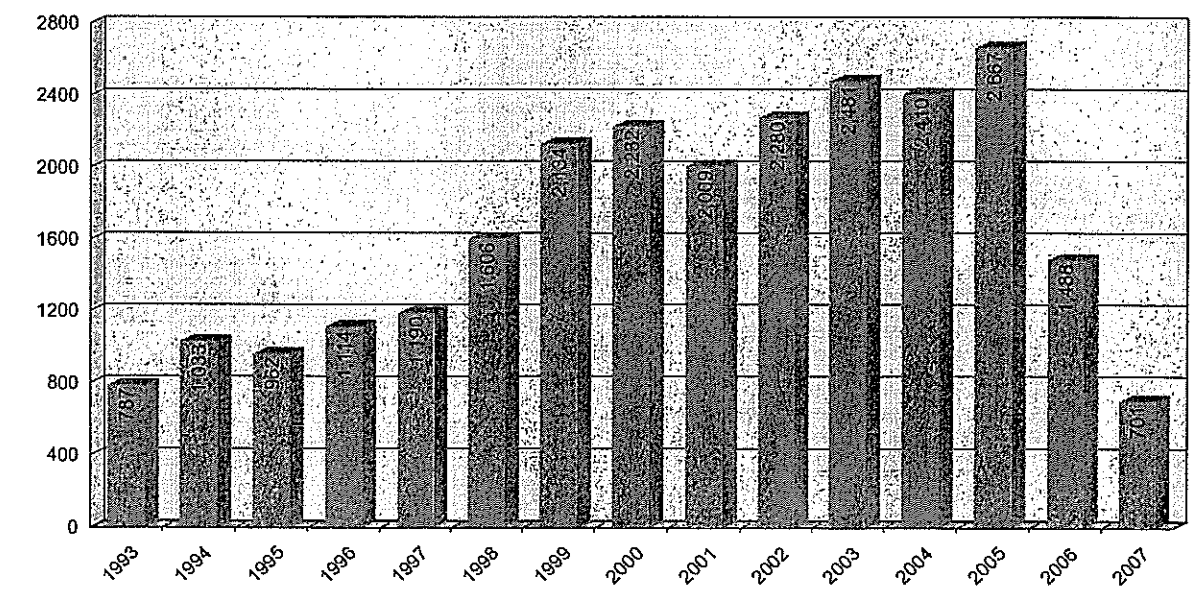
HdL COREN & CONE

CITY OF VALLEJO - HISTORY OF MEDIAN SALES PRICE OF SINGLE FAMILY RESIDENCES (SFR) AND NUMBER OF SINGLE FAMILY RESIDENCES SOLD EACH YEAR 1993-2007*

MEDIAN SALE PRICE OF ALL SFR SOLD



NUMBER OF SFR FULL VALUE SALES TRANSACTIONS



*Sales Through 12/15/2007

**Full Value Parcel Sales (Sales not included in the analysis are quitclaim deeds, trust transfers, partial sales, multiple parcel transactions and non-reported document number transfers.)

Data Source: Solano County Assessor Secured Tax Rolls And DataQuick Information Services

Prepared On 2/12/2008 By PC

This report is not to be used in support of debt issuance or continuing disclsure statements without the written consent of HdL Coren & Cone

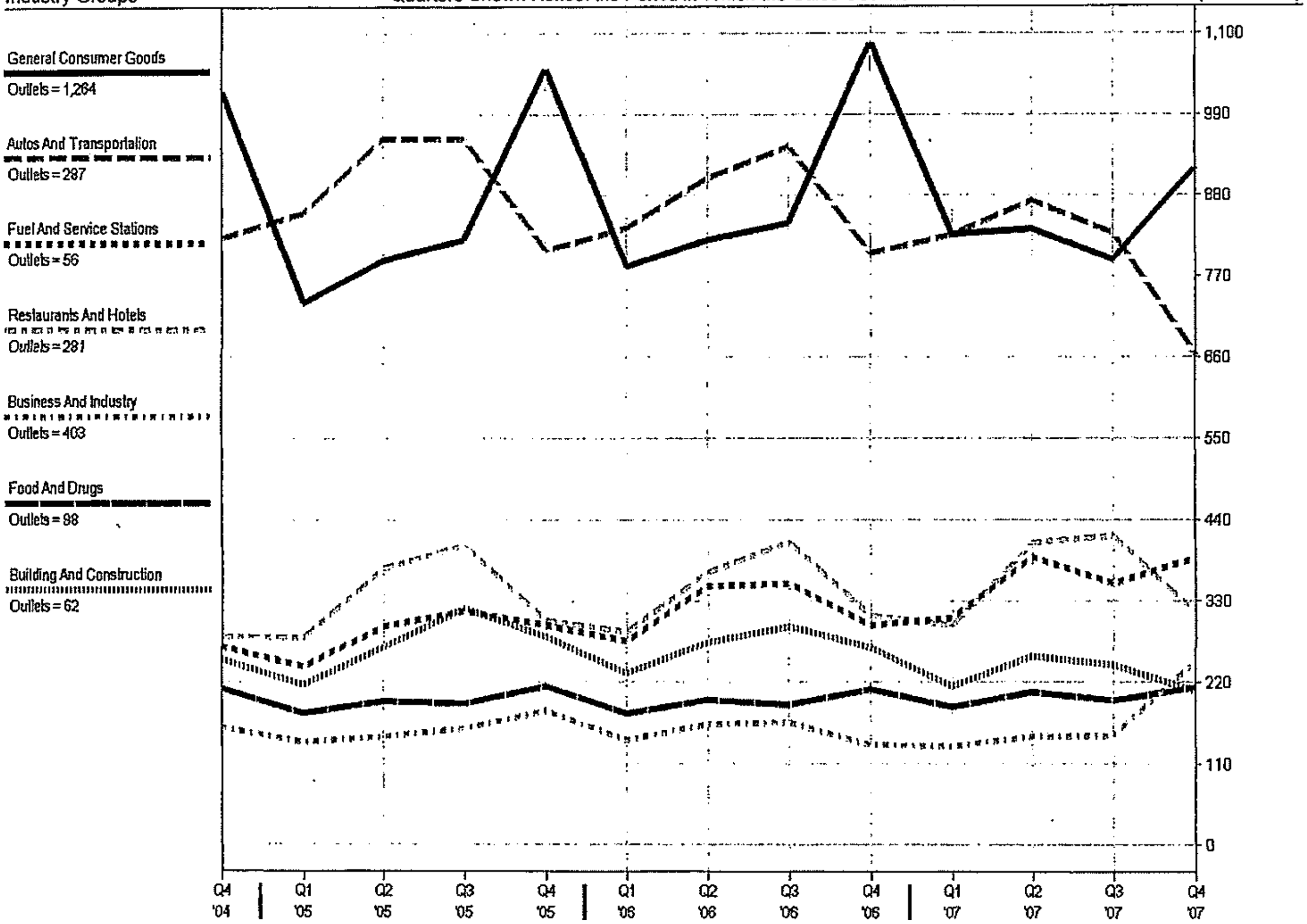
THE HdL COMPANIES
ADJUSTED FOR ECONOMIC DATA

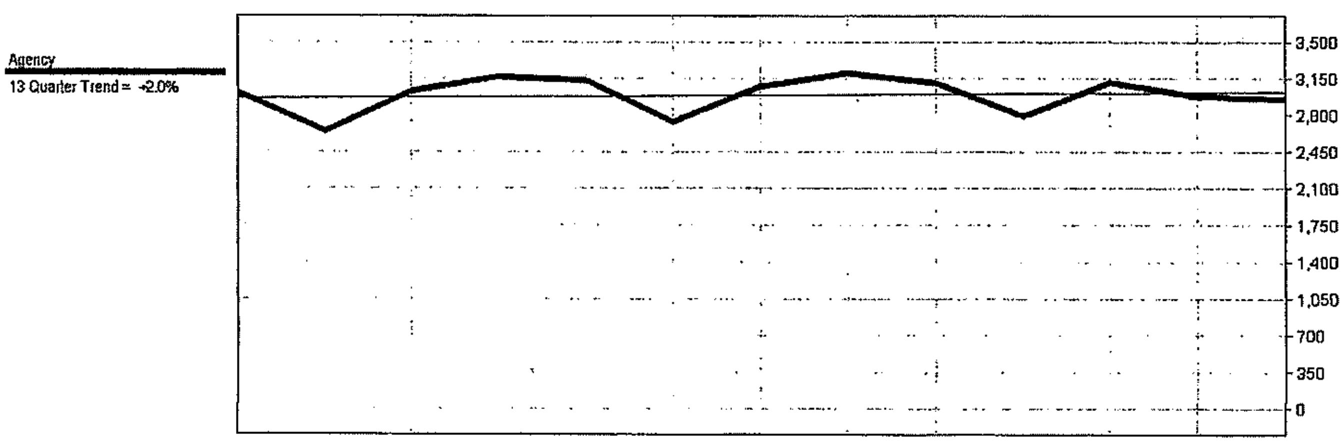
CITY OF VALLEJO
MAJOR INDUSTRY GROUPS - 13 QUARTER HISTORY

Adjusted by moving retroactive payments with an absolute value of $5,000 or more into the quarter the sale was generated

Chart Description: *This chart compares sales tax for the Major Industry Groups. The prior 12 quarters are shown graphically for historical reference purposes.* ***Allocations have been adjusted to reflect economic data.***

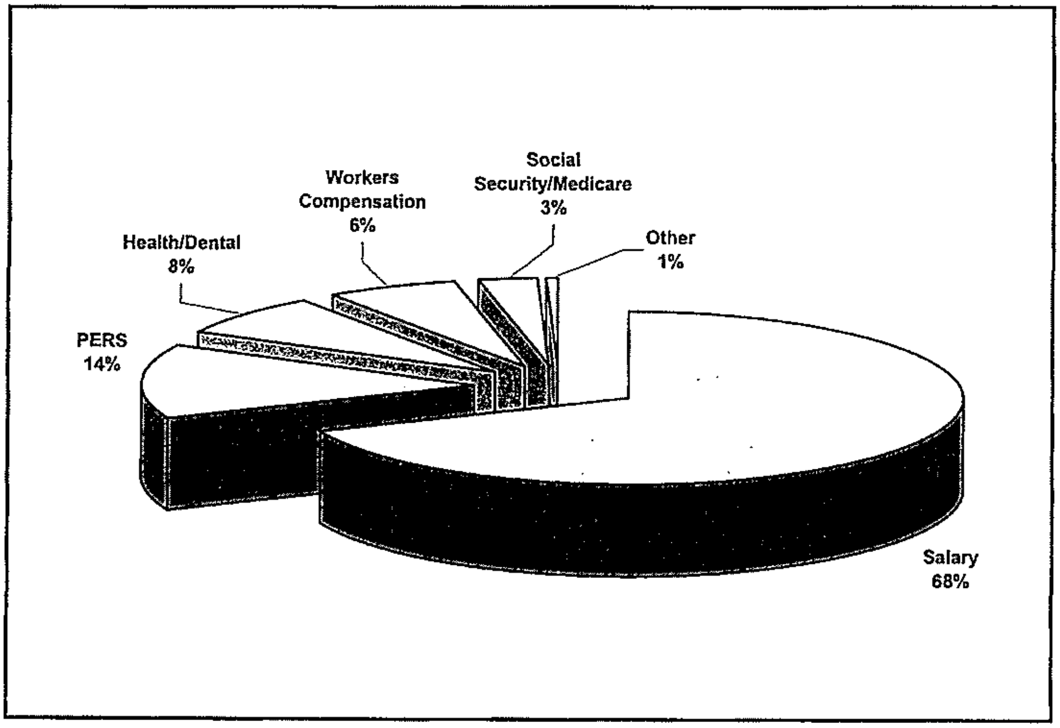
Industry Groups — Quarters Shown Reflect the Period in Which the Sales Occurred - Point of Sale — $ (Thousands)





As of 05-06-08

Salaries and Benefits
Full Contract Rates
FY 08/09
All Funds
(% of Total)



		Projected FY 08-09	% to Total
Salary	$	62,450,525	69%
PERS		12,527,268	14%
Health/Dental		7,199,392	8%
Workers Compensation		5,792,261	6%
Social Security/Medicare		2,353,527	3%
Other		531,435	1%
Subtotal		28,403,883	31%
Total	$	90,854,408	100%

J:\FY 07-08\General Fund\Expenditures\Non-Departmental\[Vallejo - Budget - Estimated General Fund Retiree Cost - 11-29-07.xls]Sheet1
5/1/2008 15:22

Projected Annual Salary Increases
By Employee Association

	FY 06/07	FY 07/08			FY 08/09 Projected Contract Rates		Cummulative Increase
	Actual 7/1/2006	Earned 7/1/2007	Waived	Rollback 3/1/2008	Restore FY 07-08 Rollback	Annual COLA	Three Years 7/1/2006 to 6/30/09
VPOA	5.7%	10.2%	-1.7%	-6.5%	8.2%	5.5%	21.4%
IAFF	5.7%	10.2%	-1.7%	-6.5%	8.2%	5.5%	21.4%
IBEW	4.0%	3.1%				3.0%	10.1%
CAMP and Other	3.0%					3.0%	6.0%

UPDATED 5/1/08

HUMAN RESOURCES DEPARTMENT

CITY OF VALLEJO

SALARY INCREASES JULY 1990 - PRESENT

EFF. DATE	CAMP	EXEMPT	IAFF	IBEW	VPOA
7/1/90	9.53%	9.53%	8.21%	9.29%	8%
7/1/91	5%	4%	6.24%	8%	8%
7/1/92	0%	0%	0%	0%	6.25%
7/1/93	0%	0%	0%	5%	0%
7/1/94	5%	5%	5%	5%	0%
6/30/95	5%	5%	n/a	n/a	n/a
7/1/95	1.5%	2%	4.80%	2.25%	2%
1/1/96	n/a	n/a	n/a	n/a	1%
6/30/96	1%	n/a	n/a	n/a	n/a
7/1/96	0%	0%	0%	0%	0%
7/1/97	2%	2%	2%	2%	3%
7/1/98	2%	2%	3%	3%	2%
1/1/99	0% (given accrued leave in lieu of 2%)	0% (given accrued leave in lieu of 2%)	n/a	n/a	2%
6/30/99	2%	2%	n/a	n/a	n/a
7/1/99	0%	0%	3%	0% (given accrued leave in lieu of 2%)	3%
6/30/99	n/a	n/a	n/a	2%	n/a
7/1/00	2%	2%	6.5%	3.6%	6.5%
1/1/01	2%	2%	n/a	n/a	n/a

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EFF. DATE	CAMP	EXEMPT	IAFF	IBEW	VPOA
6/30/01	1.5%	1.5%	n/a	n/a	n/a
7/01/01	5%	5%	8.46%	5%	8.46%
7/1/02	0% 4% - Safety positions	0% 4% - Safety positions	6.38%	0%	6.38%
10/1/02	4% 0% - Safety positions	4% 0% - Safety positions	n/a	2.1%	n/a
7/1/03	2.1% 3% - Safety positions	2.1% 3% - Safety positions	4.09%	1.6%	4.09%
7/1/04	-5% (Furlough reduction – received 13 days of furlough leave)	-10% (Furlough reduction – received 26 days of furlough leave)	0%	-5% (Furlough reduction – received 13 days furlough leave)	0%
7/1/05	3%	3%	5.92%	4%	5.92%
7/1/06	3%	0% Dept Heads 3% Non Dept Heads	5.731%	4%	5.731%
1/1/07	n/a	3% Dept Heads 0% Non Dept Heads	n/a	n/a	n/a
7/1/07	0% 8.5% - Safety positions	0%	8.5%	3.1%	8.5%
3/1/08	0% -5.991% - Safety positions	-2.913% Dept Heads 0% Non Dept Heads	-5.991%	n/a	-5.991%

MEMO: 1.7% payable retroactive to 7/1/07, waived by VPOA and IAFF through 6/30/08.

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4/28/08

CITY OF VALLEJO
PROJECTED SALARY AND BENEFIT RATES
SELECTED EMPLOYEE CLASSIFICATIONS
(Base Salary, Excluding Overtime)

Barganing Group	Classification	Current Rates FY 08-09	Full Contract Rates FY 08-09
VPOA	Police Captain (Average Cost)		
	Salary (a)	202,621	231,120
	PERS	56,835	64,834
	Health/Dental	13,568	13,568
	Worker's Comp	33,027	37,672
	Social Security/Medicare	-	-
	Other (b)	532	532
		306,583	347,726
	Police Lieutenant (Average Cost)		
	Salary (a)	155,417	177,245
	PERS	43,585	49,712
	Health/Dental	13,568	13,568
	Worker's Comp	25,333	28,891
	Social Security/Medicare	1,711	1,952
	Other (b)	532	532
		240,146	271,900
	Police Sergeant (Average Cost)		
	Salary (a)	132,309	150,872
	PERS	37,099	42,309
	Health/Dental	13,568	13,568
	Worker's Comp	21,566	24,592
	Social Security/Medicare	1,646	1,877
	Other (b)	532	532
		206,720	233,750
	Police Corporal (Average Cost)		
	Salary (a)	115,594	131,795
	PERS	32,407	36,955
	Health/Dental	13,568	13,568
	Worker's Comp	18,842	21,483
	Social Security/Medicare	1,484	1,692
	Other (b)	532	532
		182,427	206,025
	Police Officer (Average Cost)		
	Salary (a)	106,590	121,518
	PERS	29,880	34,070
	Health/Dental	13,568	13,568
	Worker's Comp	17,374	19,807
	Social Security/Medicare	1,372	1,565
	Other (b)	532	532
		169,316	191,060
IAFF	Assistant Fire Chief (Average Cost)		
	Salary (a)	183,623	209,457
	PERS	51,541	58,792
	Health/Dental	13,568	13,568
	Worker's Comp	14,690	16,757
	Social Security/Medicare	2,663	3,037
	Other (b)	677	677
		266,762	302,288

4/28/08

CITY OF VALLEJO
PROJECTED SALARY AND BENEFIT RATES
SELECTED EMPLOYEE CLASSIFICATIONS
(Base Salary, Excluding Overtime)

Barganing Group	Classification	Current Rates FY 08-09	Full Contract Rates FY 08-09
IAFF	Fire Captain (Average Cost)		
(continued)	Salary (a)	140,086	159,707
	PERS	39,321	44,828
	Health/Dental	13,568	13,568
	Worker's Comp	11,207	12,777
	Social Security/Medicare	2,031	2,316
	Other (b)	677	677
		206,890	233,873
	Fire Prevention Inspector (Average Cost)		
	Salary (a)	140,337	160,054
	PERS	39,391	44,926
	Health/Dental	13,568	13,568
	Worker's Comp	11,227	12,804
	Social Security/Medicare	2,035	2,321
	Other (b)	677	677
		207,235	234,350
	Firefighter Engineer (Average Cost)		
	Salary (a)	120,345	137,236
	PERS	33,780	38,521
	Health/Dental	13,568	13,568
	Worker's Comp	9,628	10,979
	Social Security/Medicare	1,745	1,990
	Other (b)	677	677
		179,743	202,971
	Firefighter (Average Cost)		
	Salary (a)	114,170	130,112
	PERS	32,046	36,521
	Health/Dental	13,568	13,568
	Worker's Comp	9,134	10,409
	Social Security/Medicare	1,655	1,887
	Other (b)	677	677
		171,250	193,174
CAMP	Administrative Analyst II (Top Step)		
	Salary (a)	100,488	103,503
	PERS	17,238	17,755
	Health/Dental	13,568	13,568
	Worker's Comp	4,823	4,968
	Social Security/Medicare	7,687	7,825
	Other (b)	1,186	1,186
		144,990 ✓	148,805 ✓
IBEW	Maintenance Worker II-A (Top Step)		
	Salary (a)	60,816	62,641
	PERS	10,432	10,745
	Health/Dental	13,568	13,568
	Worker's Comp	3,162	3,257
	Social Security/Medicare	4,652	4,792
	Other (b)	1,186	1,186
		93,816	96,189

(a) "Salary" includes base salary and other compensation depending upon bargaining group, such as education incentives, holiday buy-back, uniform allowance, longevity, preceptor, EMT, paramedic, hazmat, bilingual, and other special pays.
(b) "Other" benefits include Vision, Life, ADD, LTD, EAP, Survivor

P:\08-09 Budget\General Fund\May 6 Staff Report\Salary attachments\[FY 08-09 IAFF & VPOA Salaries and Benefit Chart_5-1-08.xls]Sheet1
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As of 05-01-08

Salary and Benefit Assumptions

	FY 07-08	FY 08-09 (Full Contract Rates)
Salaries (% increase from prior year)		
Police (VPOA) and Fire (IAFF):		
Deferrals from prior years	4.5%	
Current increase for known survey cities (3.83% compounded)	4.0%	
Paid increase (effective 7-1-07)	8.5%	
Memo: 6.5% suspended/rolled back at 3-1-08		
Estimate for survey cities not yet settled in FY 07-08 (payable retroactive to 7-1-07, waived by employee association through 6-30-08)	1.7%	
	10.2%	5.5%
IBEW	3.0%	3.0%
Other (Camp, Executives, Council)	0.0%	3.0%
Notes ***Safety growth based upon recent COLA trends; IBEW/Other growth per MOU range***		
PERS (% of payroll)		
Misc	17.028% (a)	17.154% (b)
Safety	28.385% (a)	28.069% (c)
Notes		
(a) Source: PERS actuarial valuation Oct 2006		
(b) Source: PERS actuarial valuation Mar 2008 plus 0.4% Survivor Benefit		
(c) Source: PERS actuarial valuation Oct 2007		
Health/Dental (% increase from prior year)		
Notes ***Projections based upon PERS health rates received for calendar year 2008***	$ 12,000	$ 12,000
Worker's Compensation (% of payroll)		
Police	12.5%	16.3%
Fire	11.0%	8.0%
Public Works	7.5%	5.2%
Admin/Other	2.5%	4.8%
Notes ***FY 08-09 rates updated for 5-year loss history by department through FY 06-07***		
Other Benefits (% increase from prior year)		
Vision, Life, ADD, LTD, EAP, Survivor	0%	0%
Notes ***No updates projected at this time***		

P:\08-09 Budget\General Fund\May 6 Staff Report\Salary attachments\[LP Assumptions - Charts and Graphs at 5-1-08.xls]Assumptions

Retiree Health Insurance Cost Projections

Pay-As-You-Go Method

Source: Actuarial Valuation (as of January 1, 2007)

Year	Total, All Funds (A)	General Fund Allocation (B)	General Fund Projection (AxB)
FY 2005-06	$2,298,423 *Actual*	82%	$1,875,802 *Actual*
FY 2006-07	$2,678,166 *Actual*	82%	$2,193,913 *Actual*
FY 2007-08	$3,075,000	80%	$2,460,000 *$2.560 million Budget*
FY 2008-09	$3,556,000	80%	$2,844,800 *$3.0 million Rounded (New Retirees)*
FY 2009-10	$4,100,000	80%	$3,280,000 *$3.3 million Rounded*
FY 2010-11	$4,694,000	80%	$3,755,200
FY 2011-12	$5,325,000	80%	$4,260,000
FY 2012-13	$6,007,000	80%	$4,805,600
FY 2013-14	$6,747,000	80%	$5,397,600
FY 2014-15	$7,514,000	80%	$6,011,200
FY 2015-16	$8,269,000	80%	$6,615,200
FY 2016-17	$9,021,000	80%	$7,216,800

J:\FY 07-08\General Fund\Expenditures\Non-Departmental\[Vallejo - Budget - Estimated General Fund Retiree Cost - 5-2-08.xls]Sheet1

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City of Vallejo

BARTEL ASSOCIATES, LLC

Retiree Healthcare Plan
January 1, 2007 Actuarial Valuation
Executive Summary

March 2007

Executive Summary
City of Vallejo
Retiree Healthcare Plan
January 1, 2007 Actuarial Valuation

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On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), Accounting Standards for *Other* (than pensions) *Post Employment Benefits* (OPEB). This report is based on the financial reporting standards established under GASB 45. We understand the City is required to implement GASB 45 for its 2007/08 fiscal year[1]. Historically the City has accounted for retiree healthcare benefits as they were paid. GASB 45 will require the City account for this promise on an accrual basis (as benefits are earned).

STUDY RESULTS

Funded Status: The plan funded status is equal to the Actuarial Liability (see definitions and assumptions section below) less plan assets. When assets equal liabilities, a plan is considered on track for funding.

To consider a retiree healthcare plan funded for GASB 45 purposes, assets must be set aside in a trust that cannot legally be used for any purpose other than to pay retiree healthcare benefits. The City's retiree healthcare plan is not currently funded. This has important implications for the discount rate assumption used to calculate plan liabilities (see definitions and assumptions section below). We have prepared valuation results under 2 scenarios:

- No Pre-Funding – Benefits paid from the City's general fund which is assumed to earn a 4.5% long-term rate of return.
- Pre-Funding – Contributions made to an irrevocable trust with diversified assets (like CalPERS) which are assumed to earn a 7.75% long-term return. Ultimately, the long-term return assumption will be based on the plan's actual investment mix.

The following table summarizes the plan's January 1, 2007 funded status (000s omitted):

	No Pre-Funding 4.5%	Pre-Funding 7.75%
■ Actuarial Liability (AL)		
• Actives	$ 67,374	$ 39,786
• Retirees	68,022	45,962
• Total	135,396	85,748
■ Plan Assets	0	0
■ Unfunded AL (UAL)	$135,396	$85,748
■ Reserve (Net OPEB Obligation)	0	0
■ Unreserved and Unfunded Actuarial Liability	$135,396	$85,748

1 Assumes the City is a GASB 34 Phase I agency.

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Annual Required Contribution (ARC): GASB 45 doesn't require an agency make up any shortfall (unfunded liability) immediately, nor does it allow an immediate credit for any excess assets. Instead, the difference is amortized over time. An agency's Annual Required Contribution is nothing more than the current employer Normal Cost, plus the amortized unfunded liability or less the amortized excess assets. Simply put, this contribution is the value of benefits earned during the year plus something to move the plan toward being on track for funding. For the City's valuation we calculated the ARC as the Normal Cost plus a 30-year[2] amortization (as a level percent of pay) of the Unfunded Actuarial Liability (000s omitted):

	No Pre-Funding 4.5%	Pre-Funding 7.75%
■ Normal Cost	$6,342	$3,217
■ UAL Amortization	5,709	5,548
■ 2007/08 Annual Required Contribution	12,052	8,765
■ Annual Required Contribution as a percentage of estimated 2007/08 payroll	22.5%	16.3%

Net OPEB Obligation (NOO): An agency's Net OPEB Obligation is the historical (from implementation)[3] difference between actual contributions made and the Annual Required Contributions[4]. If an agency has always contributed the required contribution, then the Net OPEB Obligation equals zero. However, an agency has not "made" the contribution unless it has been set aside and cannot legally be used for any other purpose.

Annual OPEB Cost (AOC): GASB 45 requires the Annual OPEB Cost equal the Annual Required Contribution, except when an agency has a Net OPEB Obligation at the beginning of the year. When that happens an agency's Annual OPEB Cost will equal the ARC, adjusted for expected interest on the Net OPEB Obligation and reduced by an amortization of the Net OPEB Obligation (000s omitted):

	No Pre-Funding 4.5%	Pre-Funding 7.75%
■ 2007/08 Annual Required Contribution	$12,052	$8,765
■ Interest on Net OPEB Obligation	0	0
■ Amortization of Net OPEB Obligation	0	0
■ Total 2007/08 Annual OPEB Cost	$12,052	$8,765

[2] GASB 45 allows up to a 30-year amortization.
[3] GASB 45 specifies the initial Net OPEB Obligation (at implementation) be set to zero.
[4] Benefits paid for current retirees are considered contributions.

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The following illustrates the City's June 30, 2008 Net OPEB Obligation if the City adopts GASB 45 for the 2007/08 fiscal year (000s omitted):

	No Pre-Funding 4.5%	Pre-Funding 7.75%
■ June 30, 2007 Net OPEB Obligation	$ 0	$ 0
■ 2007/08 Annual OPEB Cost	12,052	8,769
■ 2007/08 Contributions	(3,075)[5]	(8,769)[6]
■ June 30, 2008 Net OPEB Obligation	$ 8,977	$ 0

The City's actual June 30, 2008 Net OPEB Obligation will differ slightly from the above because actual benefit payments will be different from estimated.

Projected Benefit Payments: Following are 10-year open group benefit payout projections, assuming the number of active City employees remains constant (000's omitted):

Year	Benefit Payments	Year	Benefit Payments
2007/08	$3,075	2012/13	$6,007
2008/09	3,556	2013/14	6,747
2009/10	4,100	2014/15	7,514
2010/11	4,694	2015/16	8,269
2011/12	5,325	2016/17	9,021

Sensitivity: The above results are based on a 30-year amortization of the unfunded liability. Following illustrates the impact of changing the amortization period to 20 years (000s omitted):

	No Pre-Funding 4.5%	Pre-Funding 7.75%
■ 20-year amortization		
• Total 2007/08 ARC $	$14,430	$10,196
• Total 2007/08 ARC %	26.9%	19.0%
■ 30-year amortization		
• Total 2007/08 ARC $	$12,052	$8,765
• Total 2007/08 ARC %	22.5%	16.3%

5 Estimated 2007/08 benefit payments.
6 Assumes full ARC is contributed.

Cash and Accrual Projections The following funding alternatives assume the City will adopt GASB 45 for the 2007/08 fiscal year.

No Pre-Funding

If the City contributes only the pay-as-you-go cost, following are 10-year cash and accrual projections with 4.5% discount rate and 30-year amortization (000's omitted):

Year	NOO	PayGo	AOC	Pay	PayGo/Pay
2007/08	$ 0	$ 3,075	$ 12,052	$ 53,635	5.7%
2008/09	8,977	3,556	12,847	55,379	6.4%
2009/10	18,268	4,100	13,670	57,178	7.2%
2010/11	27,837	4,694	14,518	59,037	8.0%
2011/12	37,662	5,325	15,391	60,955	8.7%
2012/13	47,728	6,007	16,289	62,936	9.5%
2013/14	58,010	6,747	17,211	64,982	10.4%
2014/15	68,474	7,514	18,157	67,094	11.2%
2015/16	79,117	8,269	19,126	69,274	11.9%
2016/17	89,973	9,021	20,120	71,526	12.6%

Pre-Funding - $0 Initial Assets

If the City contributes the ARC every year starting 2007/08, following are 10-year cash and accrual projections with 7.75% discount rate and 30-year amortization (000's omitted):

Year	NOO	Contr	AOC	Pay	Contr/Pay
2007/08	$ 0	$ 8,765	$ 8,765	$53,635	16.3%
2008/09	0	9,050	9,050	55,379	16.3%
2009/10	0	9,344	9,344	57,178	16.3%
2010/11	0	9,648	9,648	59,037	16.3%
2011/12	0	9,961	9,961	60,955	16.3%
2012/13	0	10,285	10,285	62,936	16.3%
2013/14	0	10,619	10,619	64,982	16.3%
2014/15	0	10,964	10,964	67,094	16.3%
2015/16	0	11,321	11,321	69,274	16.3%
2016/17	0	11,689	11,689	71,526	16.3%

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BASIC DEFINITIONS AND ASSUMPTIONS

Present Value of Benefits: When an actuary prepares an actuarial valuation, (s)he first gathers participant data (including active employees, former employees not in payment status, participants and beneficiaries in payment status) at the valuation date (for example January 1, 2007). Using this data and actuarial assumptions, (s)he projects future benefit payments. (The assumptions predict, among other things, when people will retire, terminate, die or become disabled, as well as what salary increases, general (and healthcare) inflation and investment return might be.) Those future benefit payments are discounted, using expected future investment return, back to the valuation date. This discounted present value is the plan's present value of benefits. It represents the amount the plan needs as of the valuation date to pay all future benefits – if all assumptions are met and no future contributions (employee or employer) are made. The City's January 1, 2007 retiree healthcare Present Value of Benefits is $197.9 million using a 4.5% discount rate ($110.2 million using a 7.75% discount rate), with $68.0 million of this for former employees who have already retired ($46.0 million using a 7.75% discount rate).

Actuarial Liability: This represents the portion of the present value of benefits that participants have earned (on an actuarial, not actual, basis) through the valuation date. The City's January 1, 2007 retiree healthcare Actuarial Liability is $135.4 million using a 4.5% discount rate ($85.7 million using a 7.75% discount rate), with $68.0 million of this for former employees who have already retired ($46.0 million using a 7.75% discount rate).

Normal Cost: The Normal Cost represents the portion of the present value of benefits expected to be earned (on an actuarial, not actual, basis) in the coming year. The City's 2007/08 retiree healthcare Normal Cost is $6.3 million (11.8% of payroll) using a 4.5% discount rate and $3.2 million using a 7.75% discount rate (6.0% of payroll).

Actuarial Cost Method: This determines the method in which benefits are actuarially earned (allocated) to each year of service. It has no effect on the Present Value of Benefits, but has significant effect on the Actuarial Liability and Normal Cost. The City's January 1, 2007 retiree healthcare valuation was prepared using the Entry Age Normal cost method.

Actuarial Assumptions: Under GASB 45, an actuary must follow current actuarial standards of practice, which generally call for explicit assumptions - meaning each individual assumption represents the actuary's best estimate.

GASB 45 requires that the discount rate is based on the source of funds used to pay benefits. This means the underlying expected long-term rate of return on plan assets for funded plans. Furthermore, since the source of funds for an unfunded plan is usually the general fund and California law restricts agencies' investment vehicles, this valuation uses a relatively low, 4.5%, discount rate. If the City sets up a Trust (that could only be used to pay plan benefits), and diversifies Trust assets, then the discount rate would be based on the Trust's expected long-term investment return. This might result in a higher (such as a 7.75% for CalPERS) discount rate. However, the appropriate discount rate will be determined based on the plan's actual asset diversification.

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Another key assumption is future healthcare inflation rates. Actual premiums for 2007 were used. The inflation rate for HMO's starts at 10.4% (the increase in 2008 premiums over 2007) and grades down to 4.5% (2017 premiums over 2016) and remains at 4.5% into the future. The inflation rate for PPO's starts at 11.3% (the increase in 2008 premiums over 2007) and grades down to 4.5% (2017 premiums over 2016) and remains at 4.5% into the future. This assumption means healthcare is assumed to increase, on the average, 7.4% for HMO's and 7.9% for PPO's a year for the next 10 years. Furthermore, since the valuation's general inflation assumption is 3%, it also means healthcare is assumed to level off at 1.5% over general inflation.

BENEFIT PROMISE

The following table summarizes medical benefits:

■ Eligibility	• Retire directly from the City under CalPERS • Service (50&5) or disability retirement
■ Medical Benefit	• City pays a portion of retiree and eligible dependent premium: ➢ Non-IBEW – increased annually by 10% of active contribution ➢ IBEW – increased annually by 5% of active contribution • City pays 100% of premium for actives and dependents • AB 2544 – recent change to "unequal method." Minimum City retiree contribution: ➢ No longer prior year's retiree contribution plus 5% of active contribution ➢ Now 5% of active contribution times years City in PEMHCA (increase each year not greater than $100 per month) ➢ PEMHCA effective dates for all bargaining group: 9/1/1988 ➢ New method implementation date: 2008
■ Surviving Spouse Benefit	• Same as retiree benefit
■ Dental & Vision	• None
■ Life Insurance	• Retiree can convert to a personal life policy at retirement

Attachment E.7

CITY OF VALLEJO
AUTHORIZED POSITIONS
FY 07-08 ADOPTED BUDGET

	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08								
					Original Budget					Midyear Adjustments			
PERSONNEL BY FUND	Approved	Approved	Approved	Approved	Prior Year Base	Transfers (Including New Cost Allocation Plan)	Additions	Deletions	Adopted	12-18-07 Additions (Minimum Staffing Arbitration)	3-11-08 Fiscal Emergency Plan Proposal	4-8-08 Additions	Adjusted Balance
General Fund													
Legislative and Advisory	8.00	8.00	8.00	8.00	8.00			(0.50)	7.50		0.50		8.00
Executive	10.00	10.00	8.00	8.00	8.00			(1.00)	7.00		(2.00)		5.00
Law	6.00	6.00	6.00	6.00	6.00				6.00				6.00
Finance	20.00	17.00	18.00	19.00	19.00	1.00		(1.00)	19.00		1.00		20.00
Human Resources	10.00	9.00	7.50	8.00	8.00			(2.00)	6.00				6.00
Community Development	23.00	20.00	21.00	23.05	23.05	6.95		(0.60)	29.40		(3.00)		26.40
Police	228.00	205.50	214.50	218.50	218.50			(18.00)	200.50		(23.50)		177.00
Fire	122.00	114.00	110.00	110.00	110.00			(20.00)	90.00	14.00	(3.00)		101.00
Public Works	67.39	58.64	58.88	62.88	62.88	3.32		(4.00)	62.20		(4.00)		58.20
	494.39	448.14	451.88	463.43	463.43	11.27		(47.10)	427.60	14.00	(34.00)		407.60
Enterprise Funds													
Water	94.45	86.44	89.95	95.09	95.09	(1.19)	4.00		97.90			1.00	98.90
Transportation	3.73	5.73	5.98	5.98	5.98	(0.98)			5.00				5.00
Marina	3.80	3.80	2.80	2.80	2.80	(0.20)			2.60				2.60
	101.98	95.97	98.73	103.87	103.87	(2.37)	4.00		105.50			1.00	106.50
Community Development													
Housing	15.70	16.05	15.65	15.37	15.37	2.25			17.62				17.62
Redevelopment Agency	5.70	3.64	4.30	4.95	4.95	(3.95)		(1.00)					
CDBG	1.70	1.45	1.50	1.40	1.40	(1.40)							
Home Program	0.70	0.60	0.45	0.55	0.55	(0.55)							
Mare Island Conversion	1.10	1.13	1.15	1.30	1.30	(1.30)							
Mare Island Leasing	1.10	1.13	1.45	1.60	1.60	(1.60)							
Mare Island CFDs	3.70	2.70	2.45	2.30	2.30				2.30				2.30
	29.70	26.70	26.95	27.47	27.47	(6.55)		(1.00)	19.92				19.92
Public Works Funds													
Corp Yard	17.25	16.25	16.00	10.90	10.90				10.90				10.90
Solid Waste/Recycling	1.15	1.30	1.20	1.20	1.20	(1.20)							
Landscape Districts	2.90	4.90	4.90	5.70	5.70	(0.25)		3.00	8.45				8.45
	21.30	22.45	22.10	17.80	17.80	(1.45)		3.00	19.35				19.35
Other Programs													
Risk Management	2.00	2.50	2.50	2.50	2.50	(0.50)			2.00				2.00
State Lands Commission	0.00	0.00	0.00	0.40	0.40	(0.40)							
	2.00	2.50	2.50	2.90	2.90	(0.90)			2.00				2.00
TOTAL	649.37	595.76	602.16	615.47	615.47		4.00	(45.10)	574.37	14.00	(34.00)	1.00	555.37

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General Fund
Net Program Costs
FY 08-09

Programs	Departmental Expenditures: Gross Program Costs (Salaries, Services, Supplies)	Interfund Allocations (A)	Net Expenditures	Program Revenues (B)	Net Program Costs: Total	% of Total
Public Safety:						
Police	35,294,284	(648,000)	34,646,284	(3,976,150)	30,670,134	45%
Fire	21,395,811	(83,700)	21,312,111	(3,140,319)	18,171,792	27%
	56,690,095	(731,700)	55,958,395	(7,116,469)	48,841,926	72%
Community Development:						
Building	1,270,063		1,270,063	(1,625,000)	(354,937)	-1%
Planning	1,216,905	(149,353)	1,067,552	(437,987)	629,565	1%
Code Enforcement	757,608		757,608	(443,625)	313,983	0%
Economic Development	1,857,455	(1,094,877)	762,578	(546,000)	216,578	0%
	5,102,031	(1,244,230)	3,857,801	(3,052,612)	805,189	1%
Public Works:						
Admin/Engineering	3,392,137	(1,794,394)	1,597,743	(1,587,800)	9,943	0%
Maintenance						
Administration	358,575	(349,575)	9,000	(9,000)		
Public Buildings	1,354,821	(248,424)	1,106,397		1,106,397	2%
Streets	1,871,706	(1,215,912)	655,794		655,794	1%
Grounds	760,421	(215,123)	545,298	(107,000)	438,298	1%
Traffic Signs	1,051,024	(907,926)	143,098		143,098	0%
Recycling Program	128,075		128,075		128,075	0%
Library	58,499	29,574	88,073	(27,300)	60,773	0%
LMD	130,531		130,531		130,531	0%
	9,105,789	(4,701,780)	4,404,009	(1,731,100)	2,672,909	4%
Non-departmental:						
Contributions/Other Agencies	750,000		750,000	-	750,000	1%
Retiree Health	3,000,000		3,000,000	-	3,000,000	4%
Compensated Absences	3,450,000		3,450,000	-	3,450,000	5%
Debt Service Transfers	3,032,896		3,032,896	-	3,032,896	4%
Utility/Water	570,000		570,000	-	570,000	1%
Property Tax Admin Fee	358,000		358,000	-	358,000	1%
PC Replacement & Licensing	175,000		175,000	-	175,000	0%
Vacancy assumption	(500,000)		(500,000)	-	(500,000)	-1%
Other	1,087,417	(102,145)	985,272	-	985,272	1%
	11,923,313	(102,145)	11,821,168	-	11,821,168	17%
	82,821,228	(6,779,855)	76,041,373	(11,900,181)	64,141,192	94%
Administration						
Legislative	331,732	(162,383)	169,349	-	169,349	0%
Executive	1,237,899	(582,127)	655,772	-	655,772	1%
Legal	1,381,500	(409,652)	971,848	-	971,848	1%
Finance	3,556,451	(1,903,402)	1,653,049	-	1,653,049	2%
Human Resources	1,048,834	(421,694)	627,140	-	627,140	1%
	7,556,416	(3,479,258)	4,077,158	-	4,077,158	6%
	90,377,644	(10,259,113)	80,118,531	(11,900,181)	68,218,350	100%

Definitions

(A) **Interfund Allocations**
The cost of services provided by the General Fund to Enterprise and other funds

(B) **Program Revenues**
Program revenues are those earned directly by departments for the services they provide to customers outside the City, such as inspection fees.

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City of Vallejo
General Fund
Expenditure Analysis and Comparison with Regional Cities

	Vallejo			13 City Average		
Department	Expenditures 6/30/06	Per Capita Expenditures 6/30/06	Percent of General Fund Expenditures	Expenditures 6/30/06	Per Capita Expenditures 6/30/06	Percent of General Fund Expenditures
Police	$ 35,264,688	$ 291	41.9%	$ 29,748,846	$ 286	32.0%
Fire	$ 22,533,874	$ 186	26.8%	$ 18,221,993	$ 175	19.6%
Sub-total Public Safety	$ 57,798,562	$ 477	68.7%	$ 47,970,839	$ 461	51.5%
Public Works	$ 5,055,339	$ 42	6.0%	$ 7,536,807	$ 72	8.1%
Development/Planning	$ 2,755,239	$ 23	3.3%	$ 2,627,582	$ 25	2.8%
Community Service/Recreation/Library	$ 1,108,000	$ 9	1.3%	$ 11,358,796	$ 109	12.2%
Administrative Services	$ 5,545,565	$ 46	6.6%	$ 11,835,262	$ 114	12.7%
Non-departmental charges	$ 3,933,656	$ 32	4.7%	$ 949,294	$ 9	1.0%
Capital outlay	$ -	$ -	0.0%	$ 235,849	$ 2	0.3%
Debt service	$ 707,621	$ 6	0.8%	$ 237,030	$ 2	0.3%
Transfers out	$ 7,205,248	$ 59	8.6%	$ 10,324,591	$ 99	11.1%
Total	$ 84,109,230	$ 695	100.0%	$93,076,049	$ 895	100.0%

Source: 14 Cities 6/30/06 Audited Financial Statements

Note:
1. Vallejo Population = 121,099
2. 13 City Average Population = 104,047

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Attachment G

City of Vallejo
General Fund
Expenditure and revenue analysis and comparison
(Expense and Revenue - In thousands of dollars - $000s omitted)
(Per capita in dollars)

December 12, 2007

	Vallejo			13 City Average			Alameda			Berkeley (2)			Daly City		
Population		121,099			104,047			74,405			105,385			104,820	
Department	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%
Police	35,265	291	41.9%	29,749	286	32.0%	24,563	330	34.3%	42,296	401	33.2%	22,752	217	35.3%
Fire	22,534	186	26.8%	18,222	175	19.6%	22,795	306	31.8%	22,775	216	17.9%	11,206	107	17.4%
Total Public Safety (1)	57,799	477	68.7%	47,971	461	51.5%	47,358	636	66.1%	65,070	617	51.1%	33,958	324	52.7%
Public Works	5,055	42	6.0%	7,537	72	8.1%	5,712	77	8.0%	598	6	0.5%	6,095	58	9.5%
Development/Planning	2,755	23	3.3%	2,628	25	2.8%	3,130	42	4.4%	1,434	14	1.1%	3,037	29	4.7%
Community Service /Recreation/Library	1,108	9	1.3%	11,359	109	12.2%	3,696	50	5.2%	16,095	153	12.7%	10,124	97	15.7%
Administrative Services	5,546	46	6.6%	11,835	114	12.7%	6,742	91	9.4%	26,527	252	20.9%	7,867	75	12.2%
Non-departmental charges	3,934	32	4.7%	949	9	1.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Capital outlay	-	-	0.0%	236	2	0.3%	548	7	0.8%	-	-	0.0%	-	-	0.0%
Debt service	708	6	0.8%	237	2	0.3%	126	2	0.2%	1,112	11	0.9%	122	1	0.2%
Transfers out (2)	7,205	59	8.6%	10,325	99	11.1%	4,304	58	6.0%	16,383	155	12.9%	3,264	31	5.1%
Total (3)	84,109	695	100.0%	93,076	895	100.0%	71,617	963	100.0%	127,218	1,207	100.0%	64,467	615	100.0%

	Vallejo		13 City Average (4)		Alameda (6)		Berkeley (5)(6)(7)(8)		Daly City (6)	
Population		121,099		104,047		74,405		105,385		104,820
Revenue source	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita
Taxes	53,084	438	65,408	629	45,822	616	94,610	898	42,555	406
Licenses and permits	3,441	28	2,948	28	4,299	58	297	3	1,780	17
Revenues from other agencies	14,322	118	4,073	39	9,164	123	6,546	62	717	7
Charges for current services	2,193	18	7,924	76	6,440	87	5,354	51	6,199	59
Fines and forfeitures	1,411	12	1,396	13	724	10	9,801	93	2,528	24
Use of property and money	546	5	3,323	32	805	11	3,601	34	2,540	24
Contributions in-lieu of taxes		-		-		-		-		-
Other	2,827	23	3,682	35	16	0	6,813	65	5,648	54
Net increase(decrease in the fair value of)										
Transfers in (5)	3,286	27	6,130	59	6,785	91	4,736	45	6,420	61
Total (3)	81,110	670	95,593	912	74,075	996	131,758	1,250	68,387	652
Net Change in Fund Balance	(2,999)		2,517		2,458		4,540		3,920	

(1) For cities reporting "public safety" expenditures rather than separate police and fire expenditures, reported public safety expenditures are allocated to Police and Fire departments based on the ratio of each city's Police and Fire budgets.
(2) Transfers out" practices vary by city, and can include transfers to capital project funds, debt service funds or other operating funds and/or interfund advances
(3) Data (Statement of Revenues, Expenditures and Changes - General Fund) were based on CAFR's 2005-06 for all cities.
(4) The 13-City average is an estimate of average costs and revenues, and may vary, plus or minus, if a single year was used.
(5) Transfers in" practices vary by city, and can include transfers from a variety of other funds for services and/or interfund repayments provided by the General Fund.
(6) Other Revenue includes Sale of Capital Assets, Contributions and donations, Miscellaneous, Indirect cost reimbursements, Recreation and Proceeds debt and loans
(7) Use of property and money includes Rents and Royalties, Investment Income
(8) Taxes Revenue includes Franchise, Transient Occupancy Tax, Sales Tax, Utility Users' Tax, Business Tax, Other Taxes
(9) Charges for Current Services Revenue includes Impact Fees, Development Fees, Plan Check Fees
(10)Demographic and Economic Statistics were based from 2005 population given.
(11) Contributions in lieu of taxes revenues are from electrical power and electrical Utility rates

Attachment G

City of Vallejo
General Fund
Expenditure and revenue analysis and comparison
(Expense and Revenue - In thousands of dollars - $000s omitted)
(Per capita in dollars)

December 12, 2007

Department	Fairfield (7) Expense	Fairfield (7) Per capita	Fairfield (7) %	Fremont Expense	Fremont Per capita	Fremont %	Hayward Expense	Hayward Per capita	Hayward %	Mountain View Expense	Mountain View Per capita	Mountain View %	Palo Alto Expense	Palo Alto Per capita	Palo Alto %
Population		105,026			210,158			146,398			71,995			62,148	
Police	22,063	210	35.4%	45,252	215	38.0%	43,815	299	41.7%	22,526	313	29.7%	22,249	358	19.3%
Fire	11,113	106	17.8%	26,062	124	21.9%	23,593	161	22.5%	13,842	192	18.3%	18,114	291	15.7%
Total Public Safety (1)	33,176	316	53.3%	71,314	339	59.8%	67,408	460	64.2%	36,368	505	48.0%	40,363	649	35.1%
Public Works	9,992	95	16.0%	-	-	0.0%	11,870	81	11.3%	6,863	95	9.1%	9,036	145	7.9%
Development/Planning	614	6	1.0%	-	-	0.0%	2,670	18	2.5%	4,339	60	5.7%	8,412	135	7.3%
Community Service /Recreation/Library	7,219	69	11.6%	3,441	16	2.9%	3,521	24	3.4%	13,467	187	17.8%	24,910	401	21.6%
Administrative Services	4,222	40	6.8%	11,013	52	9.2%	10,596	72	10.1%	11,516	160	15.2%	14,299	230	12.4%
Non-departmental charges	939	9	1.5%	-	-	0.0%	624	4	0.6%	-	-	0.0%	10,077	162	8.8%
Capital outlay	-	-	0.0%	213	1	0.2%	1,226	8	1.2%	499	7	0.7%	-	-	0.0%
Debt service	-	-	0.0%	1,295	6	1.1%	90	1	0.1%	-	-	0.0%	-	-	0.0%
Transfers out (2)	6,103	58	9.8%	31,962	152	26.8%	7,001	48	6.7%	2,724	38	3.6%	7,978	128	6.9%
Total (3)	62,265	593	100.0%	119,238	567	100.0%	105,006	717	100.0%	75,776	1,053	100.0%	115,075	1,852	100.0%

Revenue source	Fairfield (7) Revenue	Fairfield (7) Per capita	Fremont '(8) Revenue	Fremont '(8) Per capita	Hayward Revenue	Hayward Per capita	Mountain View Revenue	Mountain View Per capita	Palo Alto (8) Revenue	Palo Alto (8) Per capita
Population		105,026		210,158		146,398		71,995		62,148
Taxes	39,479	376	102,312	487	71,521	489	43,676	607	63,486	1,022
Licenses and permits	4,338	41	2,041	10	3,059	21	6,055	84	4,238	68
Revenues from other agencies	8,134	77	757	4	16,017	109	1,216	17	982	16
Charges for current services	3,615	34	7,872	37	4,247	29	14,965	208	18,672	300
Fines and forfeitures	-	-	-	-	1,344	9	580	8	-	-
Use of property and money	1,114	11	2,218	11	1,127	8	7,189	100	12,453	200
Contributions in-lieu of taxes		-		-		-		-		-
Other	5,430	52	103	0	2,708	18	11,693	162	2,247	36
Net increase(decrease in the fair value of)										
Transfers in (5)	3,703	35	7,226	34	4,966	34	5,032	70	15,384	248
Total (3)	65,813	627	122,529	583	104,989	717	90,406	1,256	117,462	1,890
Net Change in Fund Balance	3,548		3,291		(17)		14,630		2,387	

Attachment G

City of Vallejo
General Fund
Expenditure and revenue analysis and comparison
(Expense and Revenue - In thousands of dollars - $000s omitted)
(Per capita in dollars)

	Pleasanton			Richmond			San Mateo			Santa Clara			Vacaville		
Population		67,321			103,468			94,315			110,771			96,395	
Department	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%
Police	19,263	286	22.9%	41,286	399	36.0%	23,586	250	32.3%	34,476	311	24.9%	22,609	235	38.2%
Fire	12,316	183	14.7%	18,549	179	16.2%	14,634	155	20.0%	28,610	258	20.7%	13,278	138	22.4%
Total Public Safety (1)	31,578	469	37.6%	59,834	578	52.1%	38,220	405	52.3%	63,085	570	45.6%	35,887	372	60.6%
Public Works	15,263	227	18.2%	10,927	106	9.5%	3,769	40	5.2%	13,505	122	9.8%	4,351	45	7.4%
Development/Planning	3,469	52	4.1%	849	8	0.7%	796	8	1.1%	5,410	49	3.9%	-	-	0.0%
Community Service /Recreation/Library	15,799	235	18.8%	9,271	90	8.1%	14,962	159	20.5%	17,086	154	12.4%	8,073	84	13.6%
Administrative Services	10,279	153	12.2%	12,686	123	11.1%	8,527	90	11.7%	22,594	204	16.3%	6,990	73	11.8%
Non-departmental charges	-	-	0.0%	-	-	0.0%	700	7	1.0%	-	-	0.0%	-	-	0.0%
Capital outlay	559	8	0.7%	22	0	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%
Debt service	-	-	0.0%	-	-	0.0%	-	-	0.0%	-	-	0.0%	336	3	0.6%
Transfers out (2)	7,027	104	8.4%	21,214	205	18.5%	6,085	65	8.3%	16,629	150	12.0%	3,545	37	6.0%
Total (3)	83,974	1,247	100.0%	114,804	1,110	100.0%	73,058	775	100.0%	138,309	1,249	100.0%	59,181	614	100.0%

	Pleasanton (6)(9)(10)		Richmond (6)		San Mateo		Santa Clara (11)		Vacaville (6)	
Population		67,321		103,468		94,315		110,771		96,395
Revenue source	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita
Taxes	70,804	1,052	98,477	952	58,325	618	74,275	671	44,964	466
Licenses and permits	2,043	30	3,029	29	2,168	23	4,946	45	37	0
Revenues from other agencies	2,043	30	1,855	18	2,551	27	1,439	13	1,513	16
Charges for current services	3,116	46	1,153	11	5,237	56	18,324	165	7,816	81
Fines and forfeitures	576	9	373	4	2,097	22	-	-	127	1
Use of property and money	638	9	855	8	1,289	14	7,329	66	2,047	21
Contributions in-lieu of taxes		-		-		-	12,860	116	-	-
Other	6,653	99	1,596	15	1,679	18	1,777	16	1,509	16
Net increase(decrease in the fair value of)							(3,656)	(33)	-	-
Transfers in (5)	-	-	12,101	117	1,515	16	11,066	100	750	8
Total (3)	85,873	1,276	119,439	1,154	74,861	794	128,360	1,159	58,763	610
Net Change in Fund Balance	1,899		4,635		1,803		(9,949)		(418)	

3

Expenditure and revenue analysis and comparison
(Expense and Revenue - In thousands of dollars - $000s omitted)
(Per capita in dollars)

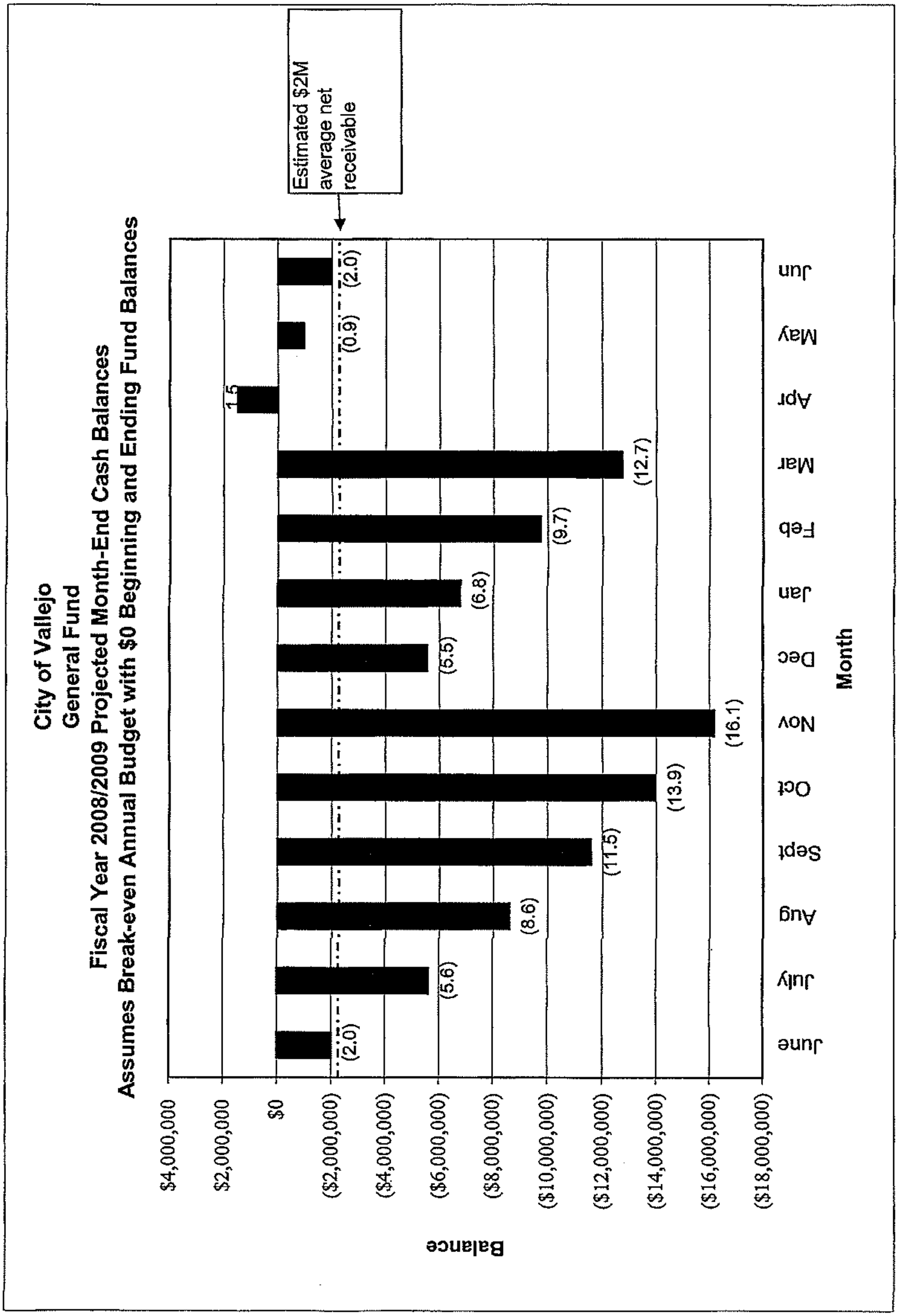
Supplemental Information
(These 3 Cities Are Not Included in13 City Average)

December 12, 2007

	Sacramento			Oakland			Concord		
Population		1,385,607			411,755			124,436	
Department	Expense	Per capita	%	Expense	Per capita	%	Expense	Per capita	%
Police	116,208	84	30.9%	179,201	435	32.6%	23,222	187	29.2%
Fire	84,985	61	22.6%	101,247	246	18.4%	13,638	110	17.1%
Total Public Safety (1)	201,193	145	53.6%	280,448	681	51.1%	36,861	296	46.3%
Public Works	7,893	6	2.1%	32,621	79	5.9%	8,316	67	10.4%
Development/Planning	25,497	18	6.8%	20,592	50	3.8%	6,205	50	7.8%
Community Service /Recreation/Library	58,161	42	15.5%	37,930	92	6.9%	5,767	46	7.2%
Administrative Services	29,729	21	7.9%	62,458	152	11.4%	10,332	83	13.0%
Non-departmental charges	24,202	17	6.4%	16,992	41	3.1%	-	-	0.0%
Capital outlay	8,517	6	2.3%	573	1	0.1%	-	-	0.0%
Debt service	841	1	0.2%	-	-	0.0%	-	-	0.0%
Transfers out (2)	19,491	14	5.2%	97,501	237	17.8%	12,113	97	15.2%
Total (3)	375,524	271	100.0%	549,115	1,334	100.0%	79,594	640	100.0%

	Sacramento		Oakland		Concord	
Population		1,385,607		411,755		124,436
Revenue source	Revenue	Per capita	Revenue	Per capita	Revenue	Per capita
Taxes	268,630	194	403,967	981	56,103	451
Licenses and permits	-	-	18,975	46	1,671	13
Revenues from other agencies	16,103	12	3,587	9	1,403	11
Charges for current services	51,435	37	66,849	162	7,017	56
Fines and forfeitures	6,672	5	23,888	58	788	6
Use of property and money	5,724	4	3,808	9	1,466	12
Contributions in-lieu of taxes	-	-	-	-	-	-
Other	1,279	1	20,115	49	2,919	23
Net increase(decrease in the fair value of)	-	-	-	-	-	-
Transfers in (5)	20,527	15	2,608	6	694	6
Total (3)	370,370	267	543,797	1,321	72,061	579
Net Change in Fund Balance	(5,154)		(5,318)		(7,533)	

Attachment G


City of Vallejo
General Fund
Fiscal Year 2008/2009 Projected Month-End Cash Balances
Assumes Break-even Annual Budget with $0 Beginning and Ending Fund Balances
Estimated $2M average net receivable
Balance
$4,000,000
$2,000,000
$0
($2,000,000)
($4,000,000)
($6,000,000)
($8,000,000)
($10,000,000)
($12,000,000)
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Month
June
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(16.1)
(5.5)
(6.8)
(9.7)
(12.7)
1.5
(0.9)
(2.0)