
Current Financial Review

October 26, 2011



2012 Budget and DEP assumed adequate liquidity...

- According to the DEP, the City's deficit was expected to be eliminated by 2015 with sufficient liquidity

\$ in millions

	Actual			Prelim	Deficit Elimination Plan				
	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues									
Tax revenues	\$ 685.0	\$ 649.0	\$ 607.7	\$ 581.7	\$ 648.7	\$ 598.0	\$ 585.0	\$ 578.4	\$ 578.6
State shared taxes	248.2	265.8	262.4	239.2	165.6	151.1	147.4	145.5	145.6
Other revenues	291.4	271.5	231.7	268.9	294.7	293.0	293.0	293.0	293.0
Total Revenues	1,224.6	1,186.3	1,101.8	1,089.8	1,109.0	1,042.1	1,025.4	1,016.9	1,017.1
Expenses									
Payroll, benefits, and pension	(741.6)	(741.5)	(701.1)	(752.0)	(693.5)	(636.0)	(637.5)	(639.1)	(640.9)
Other operating expenses	(347.9)	(296.9)	(261.6)	(202.8)	(202.8)	(141.9)	(151.6)	(143.5)	(139.5)
Subsidies	(145.1)	(82.7)	(83.2)	(58.1)	(56.1)	(58.2)	(53.1)	(42.9)	(32.9)
Debt service & POC related	(122.1)	(170.5)	(125.4)	(145.7)	(128.2)	(130.6)	(128.7)	(114.7)	(114.4)
Total expenses	(1,356.7)	(1,291.5)	(1,171.2)	(1,158.6)	(1,080.6)	(966.7)	(970.9)	(940.2)	(927.6)
Other financing sources (uses)	79.2	(18.9)	247.8	29.6	1.8	1.8	1.8	1.8	1.8
Total surplus (deficit)	\$ (52.9)	\$ (124.1)	\$ 178.3	\$ (39.2)	\$ 30.2	\$ 77.2	\$ 56.4	\$ 78.5	\$ 91.3
Unrestricted fund balance (deficit)	(219.2)	(331.9)	(155.7)	(194.9)	(164.7)	(87.5)	(31.2)	47.3	138.5
Cash balance (illustrative only)				95.3	54.9	108.2	164.6	243.0	334.3

- **DEP 2012 key assumptions – \$70m of revenue initiatives and \$25m of cost savings**

- \$45m of tax revenue initiatives (\$5m property tax; \$40m income tax)
- \$25m of other revenue (\$15m past due DPS receipt; \$10m parking boot initiative)
- \$25m of cost savings (per Amended Budget)

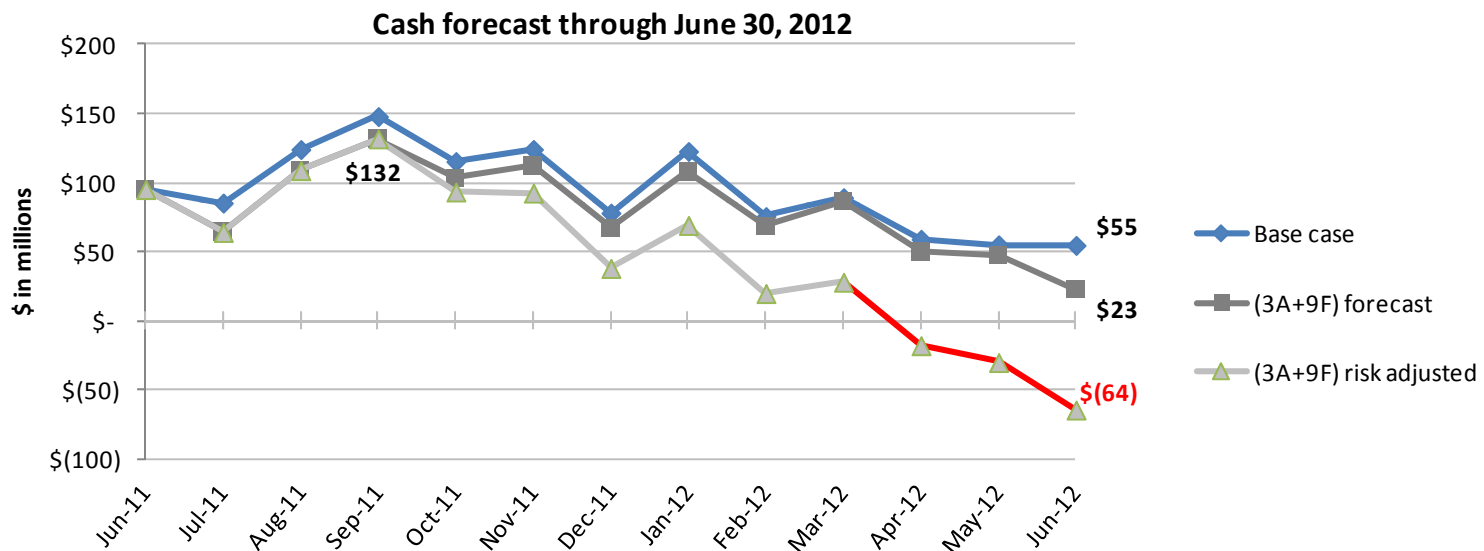
- **DEP 2013 – 2016 key assumptions**

- \$26m of medical benefits cost savings (average per year)
- \$73m of pension savings (average per year)
- \$82m of other employee and operational cost savings (average per year)
- \$25m reduction to DDOT subsidy by 2016



But risk adjusted cash forecast shows liquidity crisis by April 2012...

- Base case cash forecast showed \$55m of cash at end of FY 2012, which includes revenue and cost saving initiatives
- Actuals through 09/30/2011 are tracking behind forecast primarily due to lower property and income tax collections; reforecast shows \$23m of cash at end of FY 2012 before risk adjustments
- Risk adjusted reforecast shows GF could end FY 2012 with a \$64m negative cash position



Risk adjusted DEP scenario shows significant annual deficits continue...

- Based on the status of revenue/cost initiatives in the DEP, several items have been sensitized to reflect potential risks

\$ in millions

	Deficit Elimination Plan (risk adjusted)				
	2012	2013	2014	2015	2016
Annual surplus per DEP before risk adjustments	\$ 30.2	\$ 77.2	\$ 56.4	\$ 78.5	\$ 91.3
Risk adjustments					
Property taxes	(15.0)	(10.0)	-	-	-
Municipal income taxes	(40.0)	(23.0)	(20.0)	(20.0)	(20.0)
Electrical fees (DPS)	(15.0)	(15.0)	(15.0)	(15.0)	(15.0)
Fines, forfeits, and other penalties	(10.0)	(5.0)	(5.0)	(5.0)	(5.0)
Incremental DDOT subsidy	(26.0)	(23.9)	(29.0)	(39.2)	(49.2)
Employee medical benefits	-	(16.9)	(3.1)	(3.1)	(3.1)
Pension contributions	-	(20.0)	(18.0)	(24.0)	(30.5)
Other operational cost savings	(15.0)	(45.3)	(45.1)	(49.1)	(49.1)
DPS delinquent collection	-	(15.0)	-	-	-
Total risk adjustments	(121.0)	(174.1)	(135.2)	(155.4)	(171.9)
Annual deficit after risk adjustments	(90.8)	(96.9)	(78.8)	(77.0)	(80.7)
Risk adjusted unrestricted fund deficit	\$ (285.7)	\$ (382.6)	\$ (461.4)	\$ (538.4)	\$ (619.1)
Risk adjusted cash balance (illustrative only)	\$ (64.3)	\$ (161.2)	\$ (240.0)	\$ (317.0)	\$ (397.6)

- 2012 risk adjustment assumptions**

- Property and income tax risk adjustments based on actual year-to-date trend
- Electrical fees adjusted based on historical trend
- Fines, forfeits, and other adjusted for timing of boot initiative roll out
- DDOT subsidy adjusted in line with historical run-rate and FY 2012 DDOT cash forecast
- Employee medical adjusted for timing of concessions and probability of plan changes
- Pension contributions adjusted for timing of concessions and probability of occurrence
- Other operational cost savings relate to incremental employee/outsourcing initiatives and have been adjusted for timing and probability of implementation
- DPS delinquent collection probability is TBD



Appendix 1



Appendix 1a – cash position on 09/30/2011

\$ in millions

	General Fund			Enterprise Funds					Other				Total
	GF Main ¹	GF Other	Other Grant ¹	Water ⁴	Sewer ⁴	DDOT	Airport	Parking ⁵	DSA	Debt Service	Capital Projects	Zero Balance ³	
Non-Restricted													
Operating accounts	\$ 53.8	\$ 9.7	\$ -	\$ 10.0	\$ 0.9	\$ 0.1	\$ 0.2	\$ 0.3	\$ -	\$ -	\$ -	\$ 0.1	\$ 74.1
Investment accounts	98.4	-	-	2.8	7.5	0.0	-	0.0	-	-	-	-	108.6
Total non-restricted	152.2	9.7	-	12.8	8.3	0.1	0.2	0.3	-	-	-	0.1	182.7
Restricted													
Operating accounts	-	-	23.0	7.6	33.0	0.1	1.2	-	-	25.0	40.6	35.1	166.7
Investment accounts ²	5.4	-	1.0	171.7	254.5	0.0	-	-	12.4	0.2	104.3	-	549.5
Total restricted	5.4	-	24.0	179.2	287.6	0.1	1.2	-	12.4	25.3	144.9	35.1	716.2
Total													
Cash in operating accounts	53.8	9.7	23.0	17.6	33.9	0.3	1.5	0.3	-	25.0	40.6	35.2	240.7
Cash in investment accounts	103.8	-	1.0	174.4	262.0	0.0	-	0.0	12.4	0.2	104.3	-	658.2
Total cash	\$ 157.7	\$ 9.7	\$ 24.0	\$ 192.0	\$ 295.9	\$ 0.3	\$ 1.5	\$ 0.3	\$ 12.4	\$ 25.3	\$ 144.9	\$ 35.2	\$ 898.9

General Fund non-restricted cash	152.2
Undistributed property tax	(20.3)
Cash after required distributions	\$ 131.9

Notes:

1. GF main operating account represents Chase 2382 bank account which includes general grant activity; It is currently unclear if all restricted cash has been properly segregated
2. Restricted general fund investment account primarily consists of POC set-aside trust account balance
3. Zero balance accounts include clearing accounts for operations (i.e. lockbox collections, payroll, A/R)
4. Water & Sewer: Restricted investment balances above include \$36.4 million that may belong in non-restricted classification per indication by management
5. Parking has a trust account which this summary does not track; the trust account currently has a balance of \$4.4 million



Appendix 1b – variance report summary: 13 weeks through 09/30/2011

\$ in millions

Ending cash balance as of 9/30/11

Actual - net of required distribution	\$ 131.9
Forecast - net of required distribution	<u>148.0</u>
Variance	(16.1)

Variance detail

		<u>Permanent</u>	<u>Timing</u>	<u>Note</u>
Net effect of lower property tax collections - current year	(16.8)	(16.8)	-	1
Property tax distributions - prior year	(11.9)	(11.9)	-	2
Income tax collections	(11.1)	(11.1)	-	3
Gaming taxes	8.9	4.2	4.7	4
Municipal services fee - casino related	7.4	(1.2)	8.6	5
Distributable state aid	14.0	14.0	-	6
Miscellaneous receipts	21.3	-	21.3	7
A/P & miscellaneous disbursements	(21.4)	-	(21.4)	8
Payroll	(3.3)	(3.3)	-	9
Debt service	(2.2)	(0.8)	(1.4)	10
Other	(1.0)	(9.3)	8.3	11
Total	\$ (16.1)	\$ (36.2)	\$ 20.1	

Ending cash adjusted for timing related variances

Actual cash balance as of 9/30/11 - net of required distributions	131.9	
Reversal of timing related variances	<u>(20.1)</u>	12
Ending cash balance after reversal of timing related variances	\$ 111.8	

Notes:

1. Current year receipts tracking lower than forecast (which is based on prior year actual receipts); variance to date assumed to be permanent
2. Distributions related to prior year were higher than forecast; amount assumed to be permanent
3. Receipts tracking lower than forecast, presumably because revenue initiatives are not being fully realized; variance assumed to be permanent
4. Permanent portion due to higher taxes from favorable gaming revenues; remainder assumed to be timing related
5. Primarily timing related since fee was forecast in Q2; however receipt was \$1.2 million lower than forecast
6. Higher actual receipts to date have exceeded forecast (which is based on Budget); variance to date assumed to be permanent
7. Variance due to classification differences between forecast and actual. Should be netted with A/P and miscellaneous disbursements
8. Variance due to classification differences between forecast and actual. Should be netted with miscellaneous receipts
9. \$2.4 million related to prior year withholdings payment; remaining variance assumed to be permanent
10. Permanent portion related to DSA UTGO debt that is paid by Debt Service fund. Timing related portion due to reimbursement from enterprise funds
11. Permanent variance largely due to \$4.9 million DDOT subsidy
12. There have been a net of \$20 million favorable timing variances through 09/30/11, which are expected to reverse by end of fiscal year. If not for the favorable timing of these variances, cash position could be \$20 million lower



Appendix 1c – bridge to risk adjusted cash position on 06/30/2012

\$ in millions

Ending cash on June 30, 2012 (per August 09, 2011 forecast)	\$ 54.9	Note
Net effect of lower property tax collections - current year	(16.8)	1
Property tax distributions - prior year	(11.9)	2
Income tax collections	(11.1)	3
Gaming taxes	4.2	4
Municipal services fee from casinos	(1.2)	5
Distributable state aid	14.0	6
Payroll	(3.3)	7
Pension	(7.3)	8
Other	1.6	
Ending cash on June 30, 2012 (reforecast)	23.0	
Risk adjustments		
Incremental DDOT subsidy	(26.0)	9
Income tax revenue initiatives	(21.3)	10
Electrical fees (DPS)	(15.0)	11
Parking boot initiative	(10.0)	12
Cost savings	(15.0)	13
Total risk adjustments	(87.3)	
Ending cash balance on June 30, 2012 (risk adjusted)	\$ (64.3)	

Notes:

1. Lower actual receipts to date assumed to be permanent
2. Distributions related to prior year were higher than forecast; amount assumed to be permanent
3. Lower actual receipts to date assumed to be permanent
4. \$4.2 million incremental casino tax received for casino receipts >\$400 million
5. Actual receipt in August was \$1.2 million lower than forecast; assumed to be permanent
6. Higher actual receipt to date assumed to be permanent
7. \$2.4 million due to payment related to withholdings from prior year; \$0.9 million actual variance to date assumed
8. Estimated GRS contribution payments revised based on most recent actuarial report
9. Based on DDOT August 09, 2011 cash forecast for FY 2012
10. Assumes portion of income tax revenue initiatives are not realized, based on actual performance to date
11. Reduction to electrical fees from DPS due to apparent overestimated revenue per budget
12. Reduction due to potential delay of boot revenue initiative
13. Assumes \$15 million of the City Council mandated \$25 million of cost savings are not realized during FY 2012

