

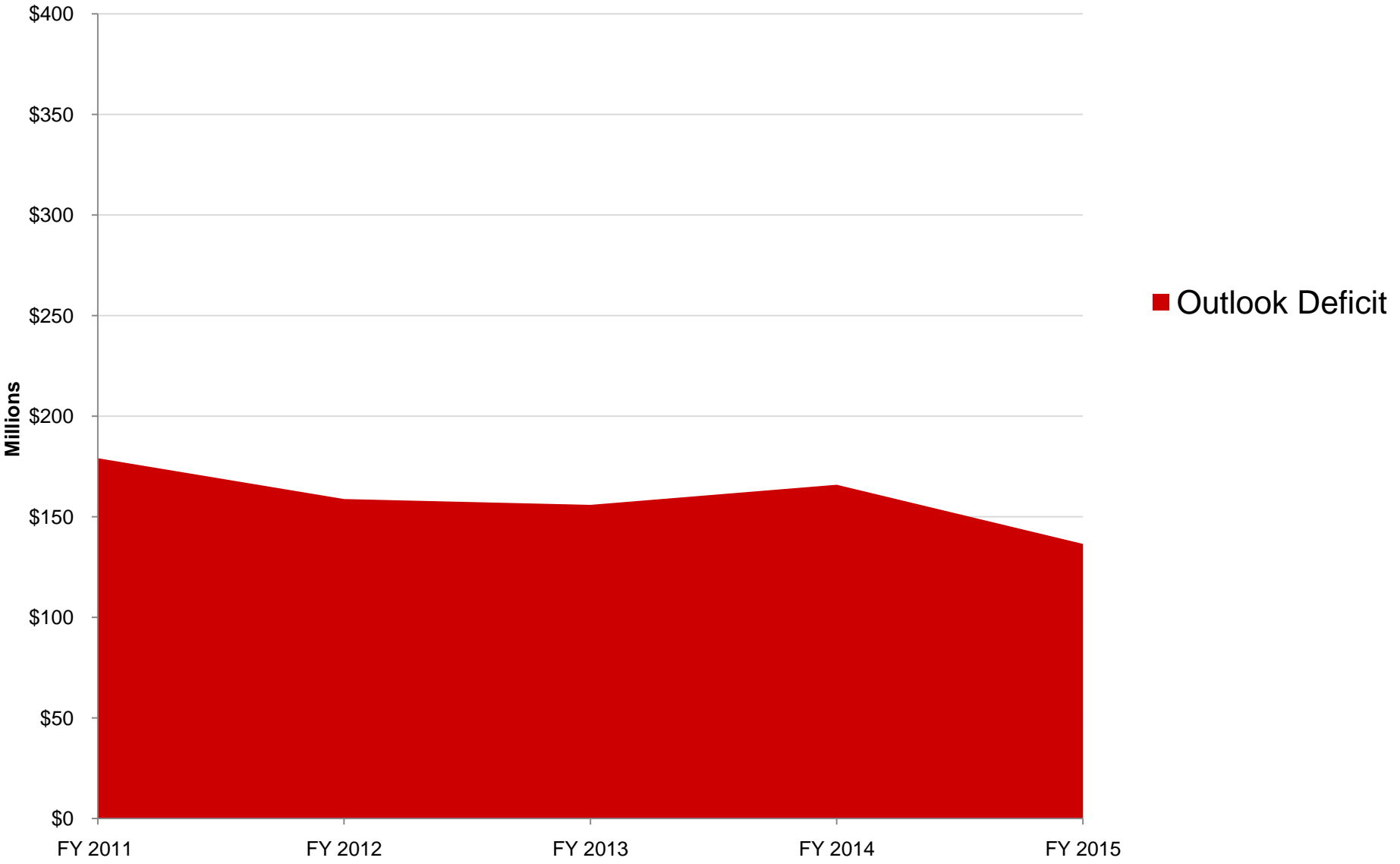


## ***Issues in the Forecast***

- **Revenues** – Identified by the IBA
- **Labor Contract “Sunsets”** – Two Year Agreements
- **Retiree Health Care**
  - Planned Funding = 52% of FY 2011 ARC
  - No full funding of the ARC in any year
  - IBA: PAYGO liability understated
  - No discussion of impact of funding levels to UAL
- **Deferred Maintenance** – Insufficient Funding (similar to underfunding an “ARC”)
  - Backlog Assessment Excludes Items Such as Sidewalks, Alleys and Parking Lots

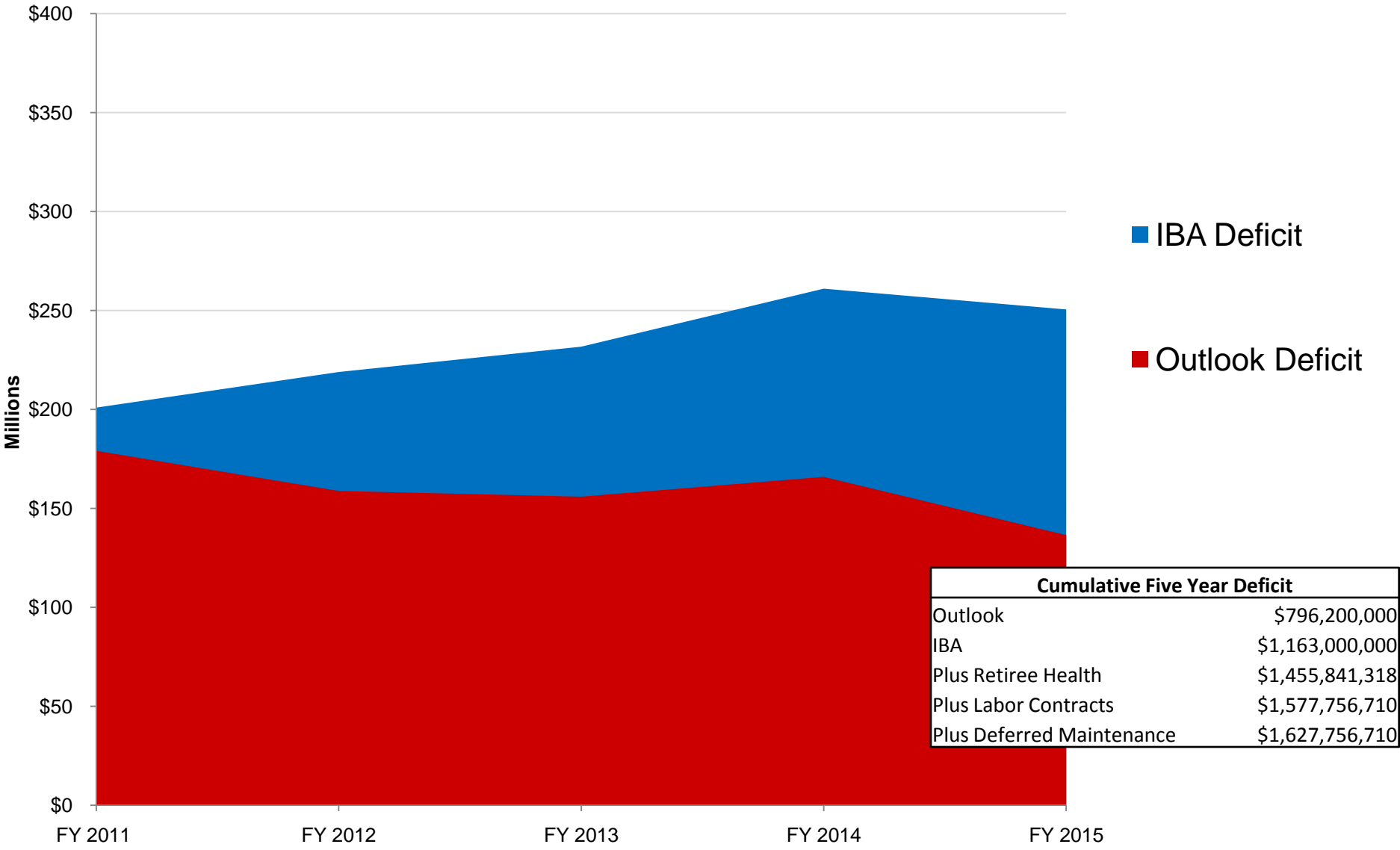


### Deficits in Current City Forecast





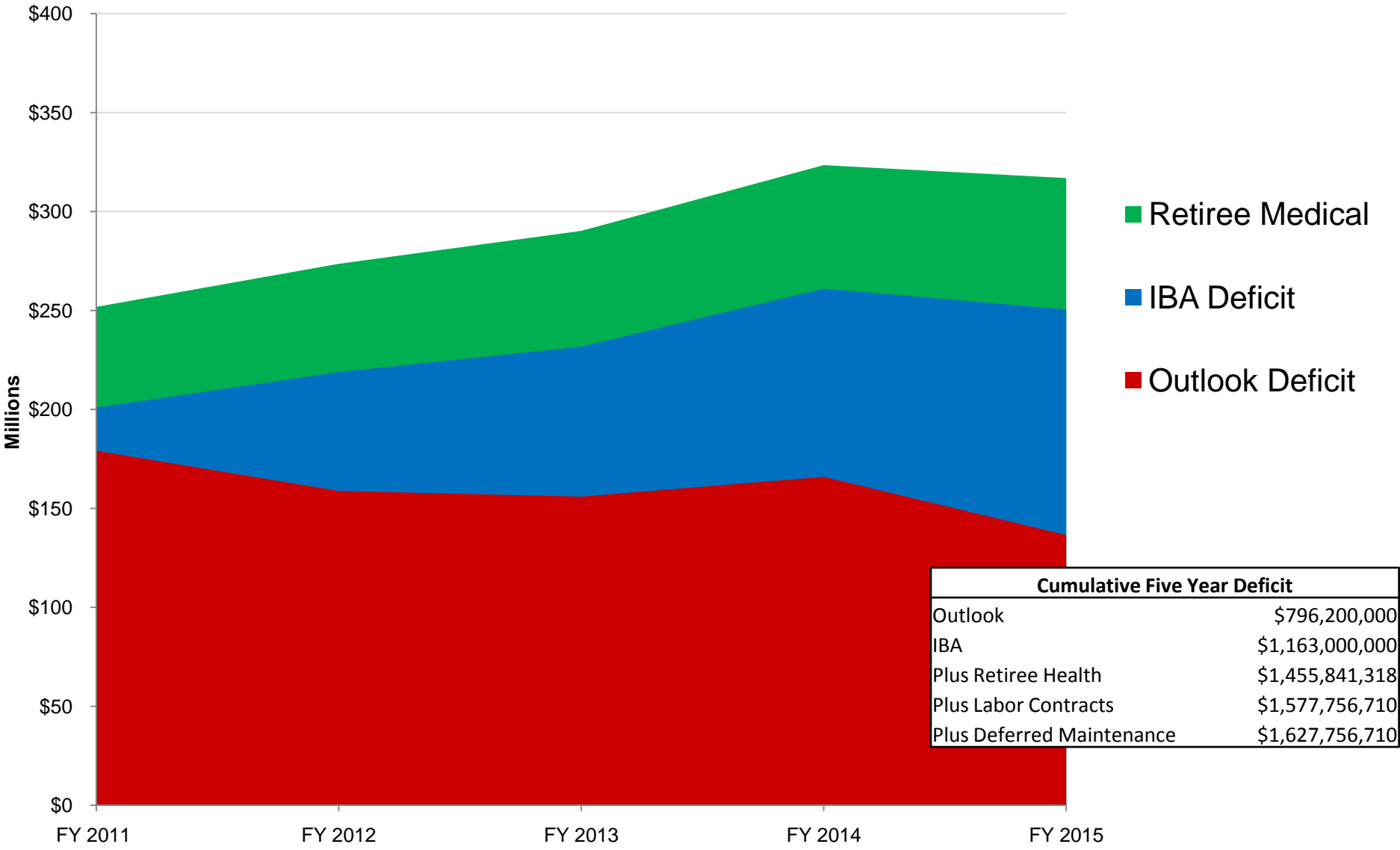
### IBA Projected Deficits (Revenues, PAYGO Discrepancy, Salary & Fringe, State Raids)



Cumulative Five Year Deficit	
Outlook	\$796,200,000
IBA	\$1,163,000,000
Plus Retiree Health	\$1,455,841,318
Plus Labor Contracts	\$1,577,756,710
Plus Deferred Maintenance	\$1,627,756,710



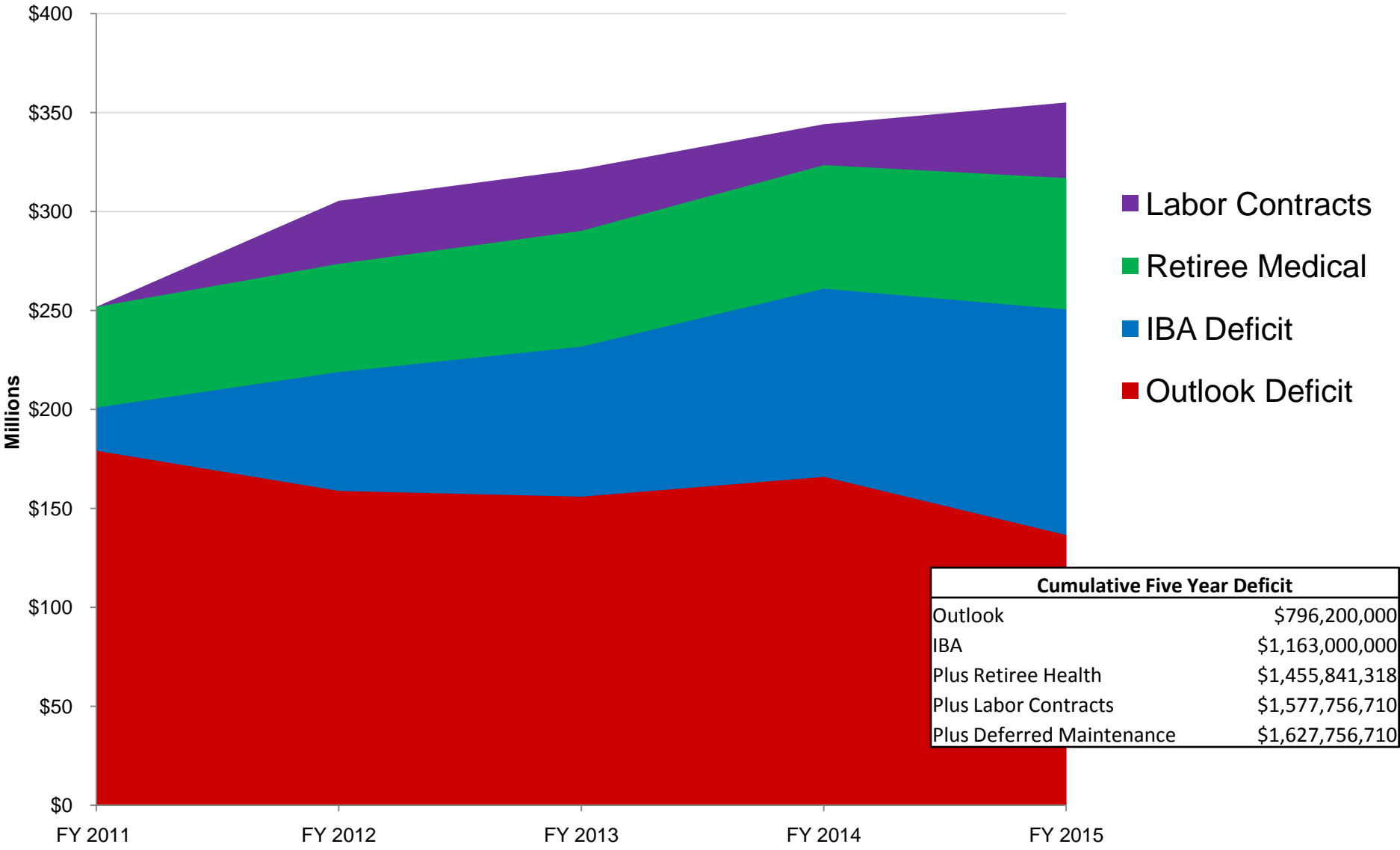
### ...Plus Full Payment of Retiree Medical ARC



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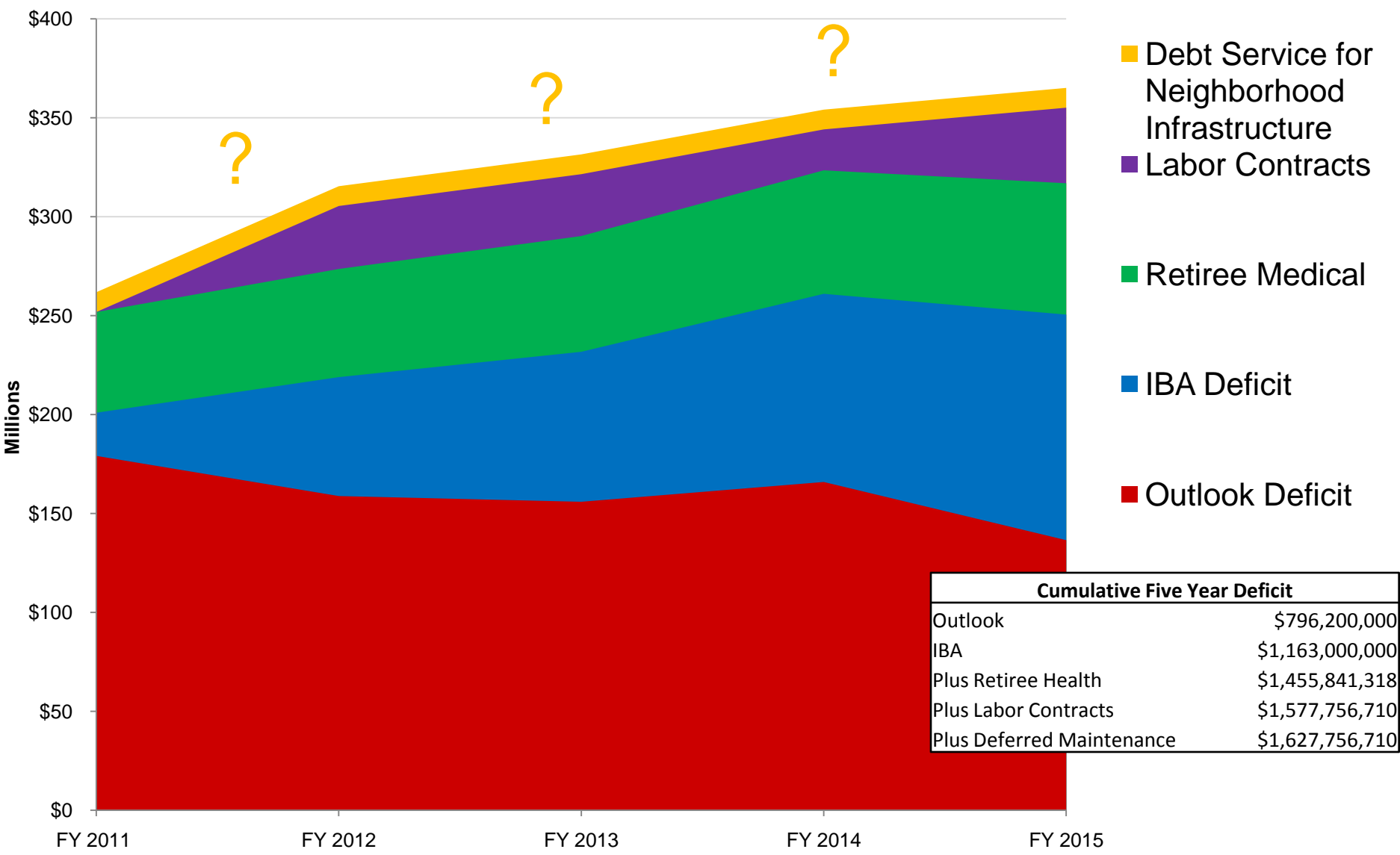


### ...Plus Labor Contract Sunsets





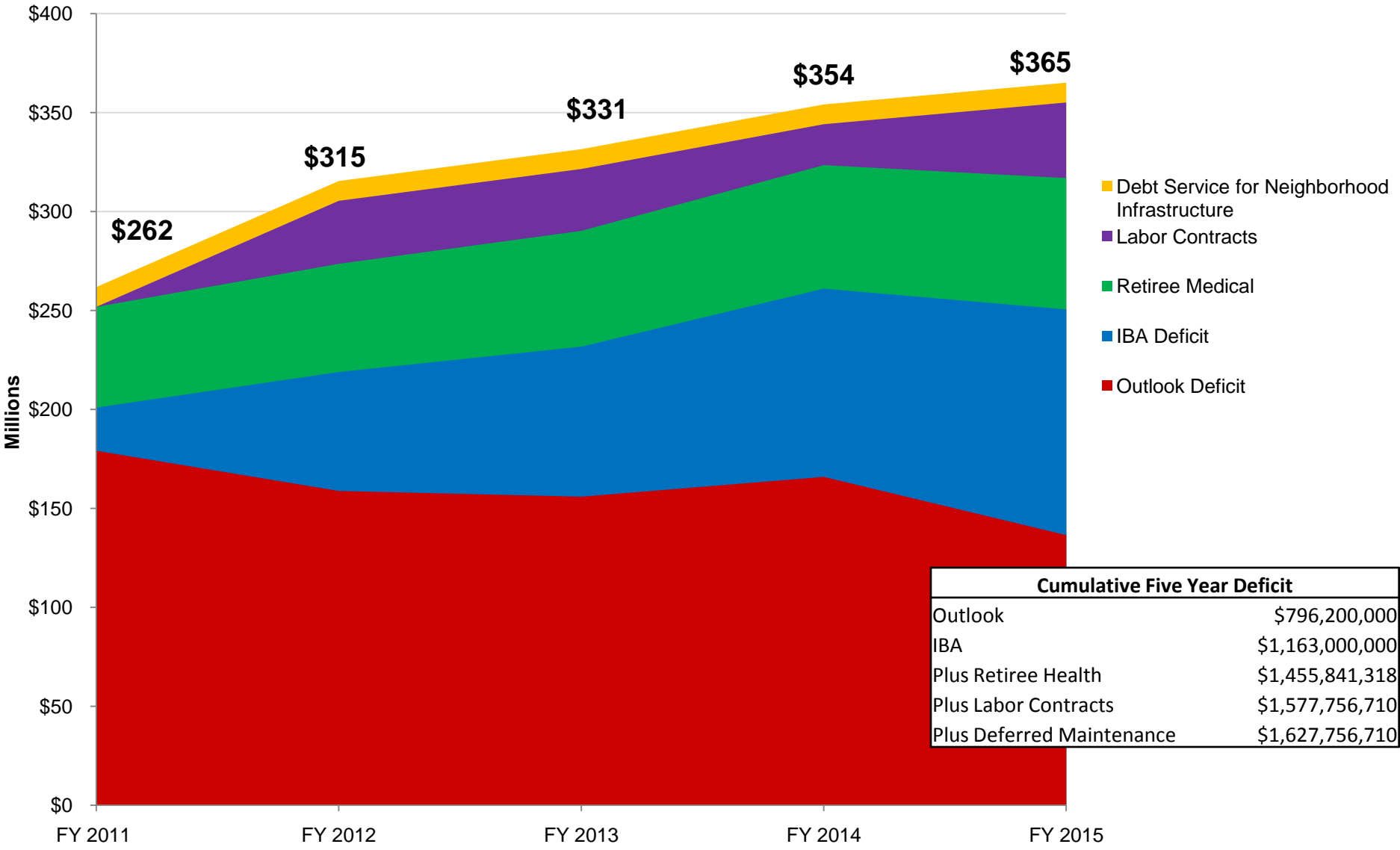
### ...Plus Additional Funding of Deferred Maintenance



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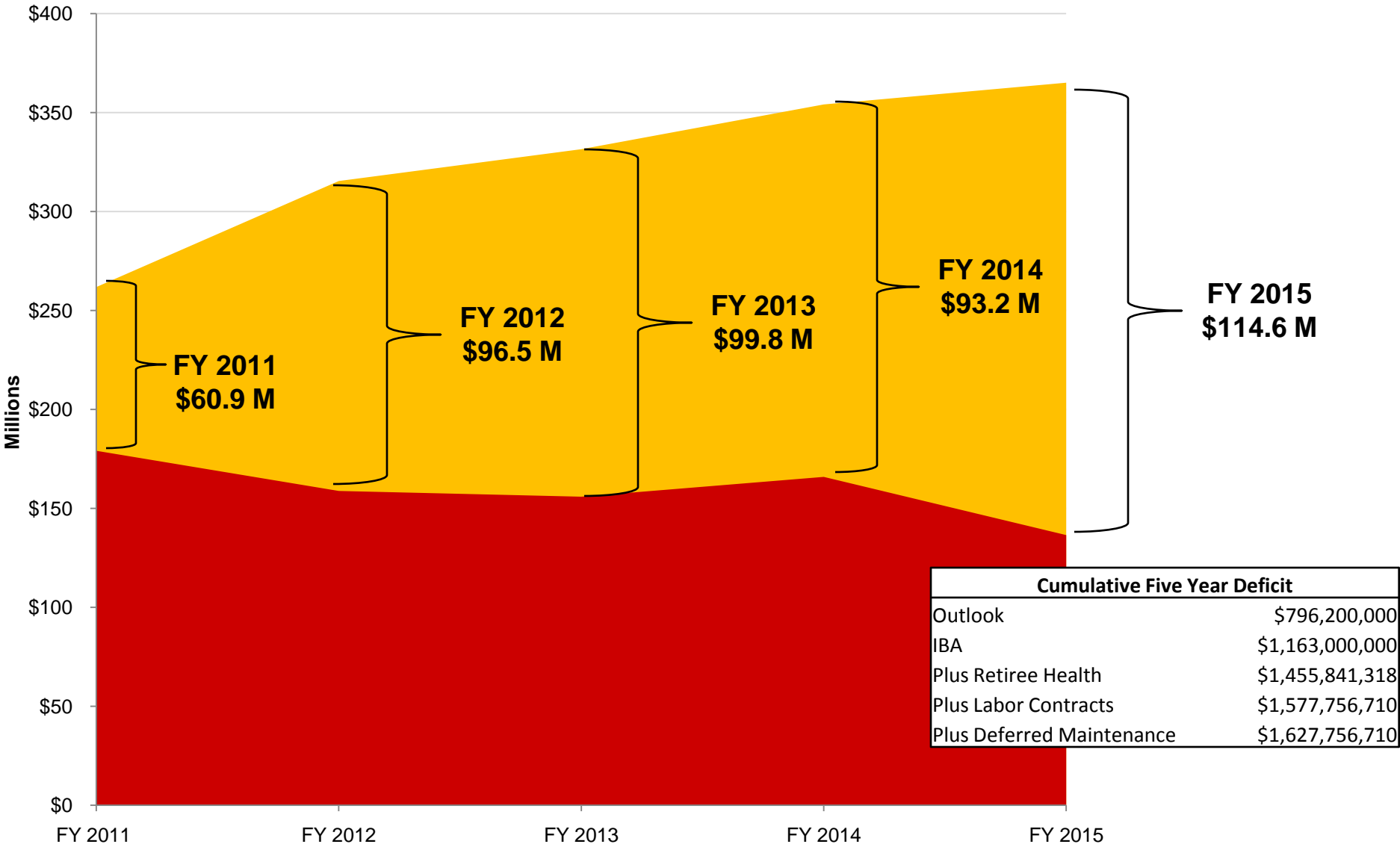
### Deficit With Revised Liabilities and Revenues



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### Annual Difference in Deficits: Outlook vs. More Comprehensive View



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# ***Three Arguments on Budget Problems***

- **Too much spending?**
  - Argument that government's role is inappropriate – it is doing too much
- **Too little revenue?**
  - Argument that government needs to either increase tax rates or benefit through increased economic activity
- **Inefficiency in the way government delivers services?**
  - Argument that the cost-per-unit of service is unacceptably high (too many employees, high salaries, lavish benefits, wasteful contracts, etc)



City of San Diego

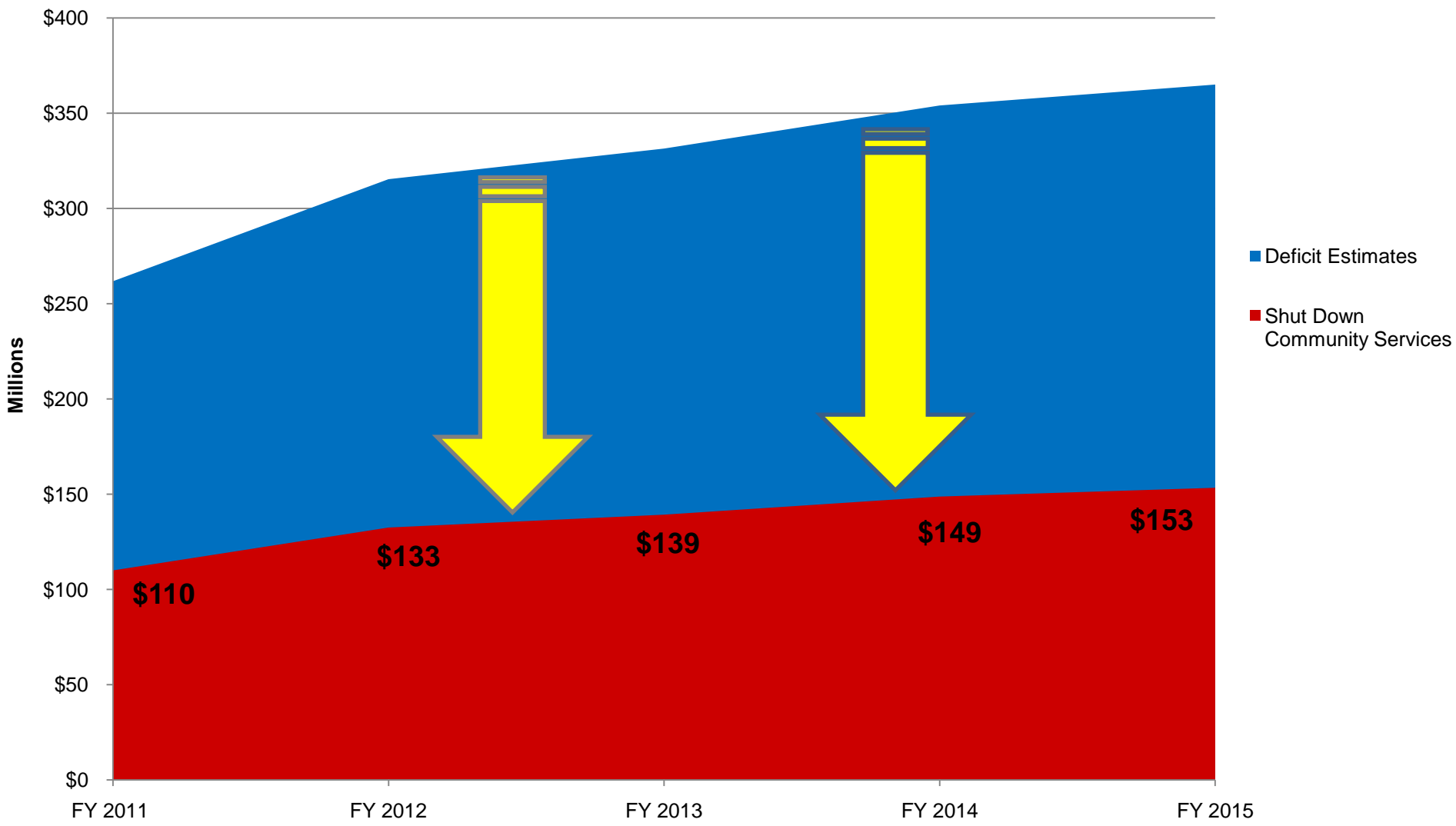
Councilmember Carl DeMaio, District 5

***What if We Closed ALL Libraries  
and Shut Down ALL Park and  
Recreation Facilities?***



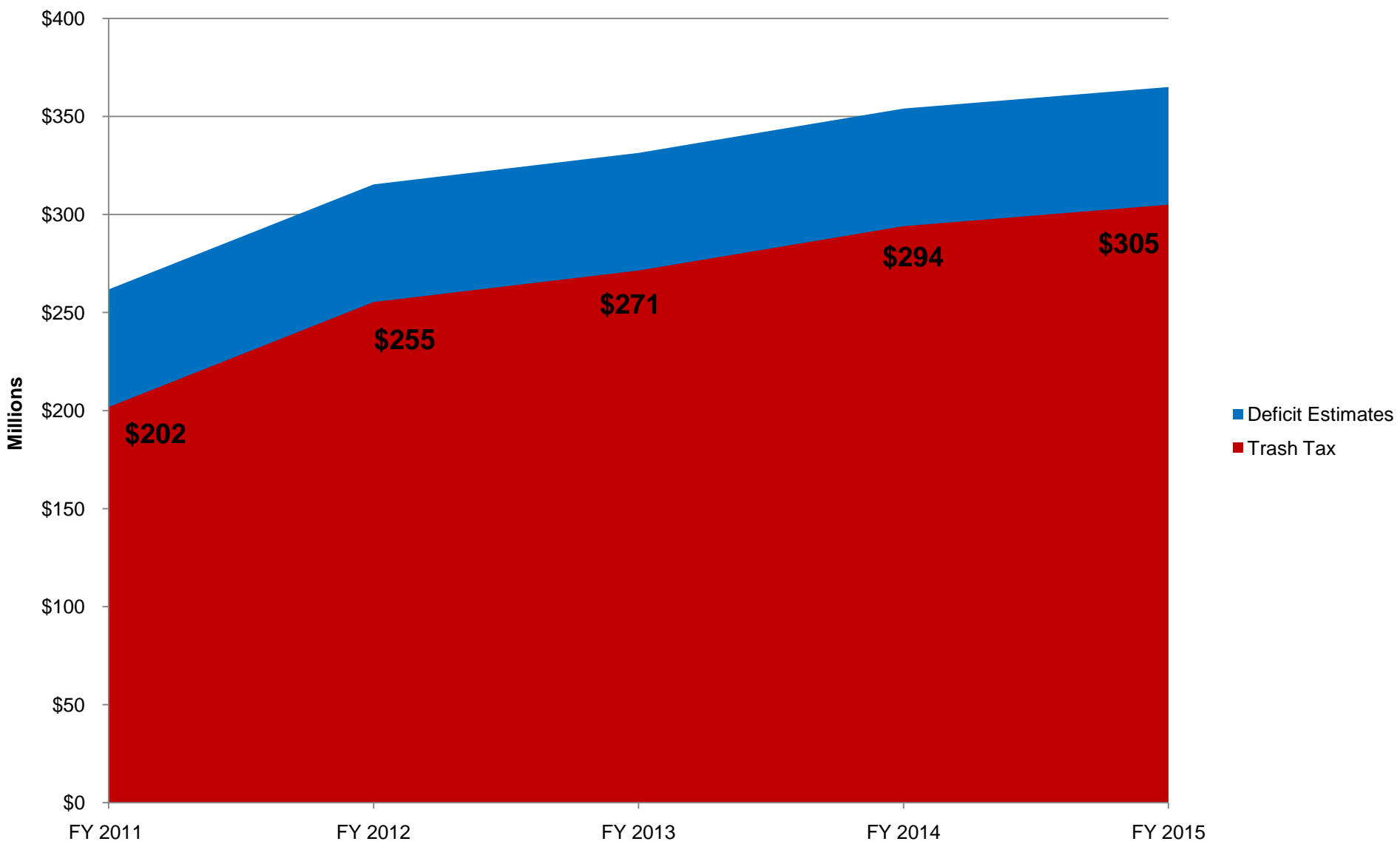


### Impact of Library and Park and Rec Shut Down on Forecasted Deficits



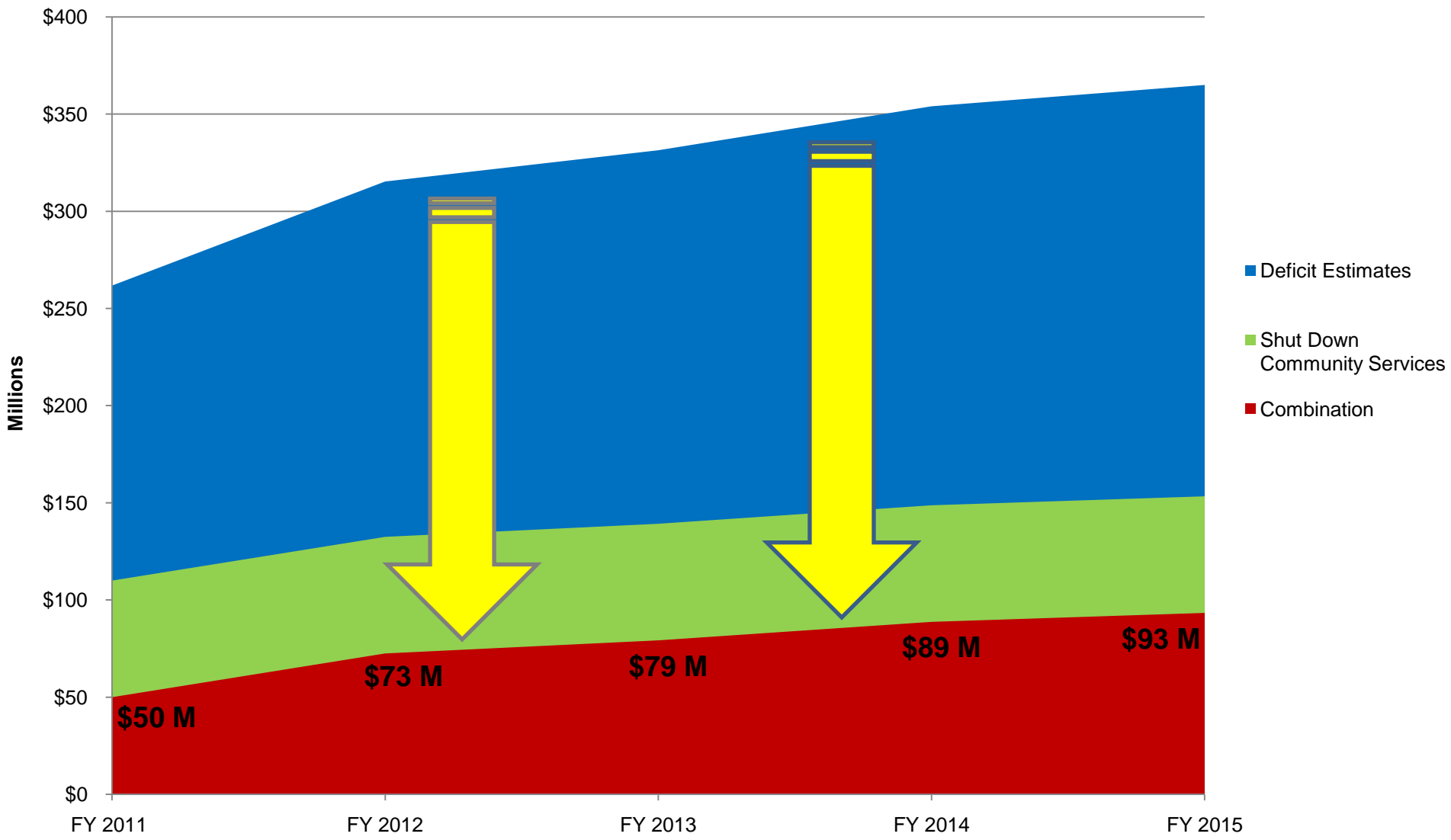


### Impact of Trash Tax on Forecasted Deficits





### Impact of Trash Tax and Service Shut Down on Forecasted Deficits



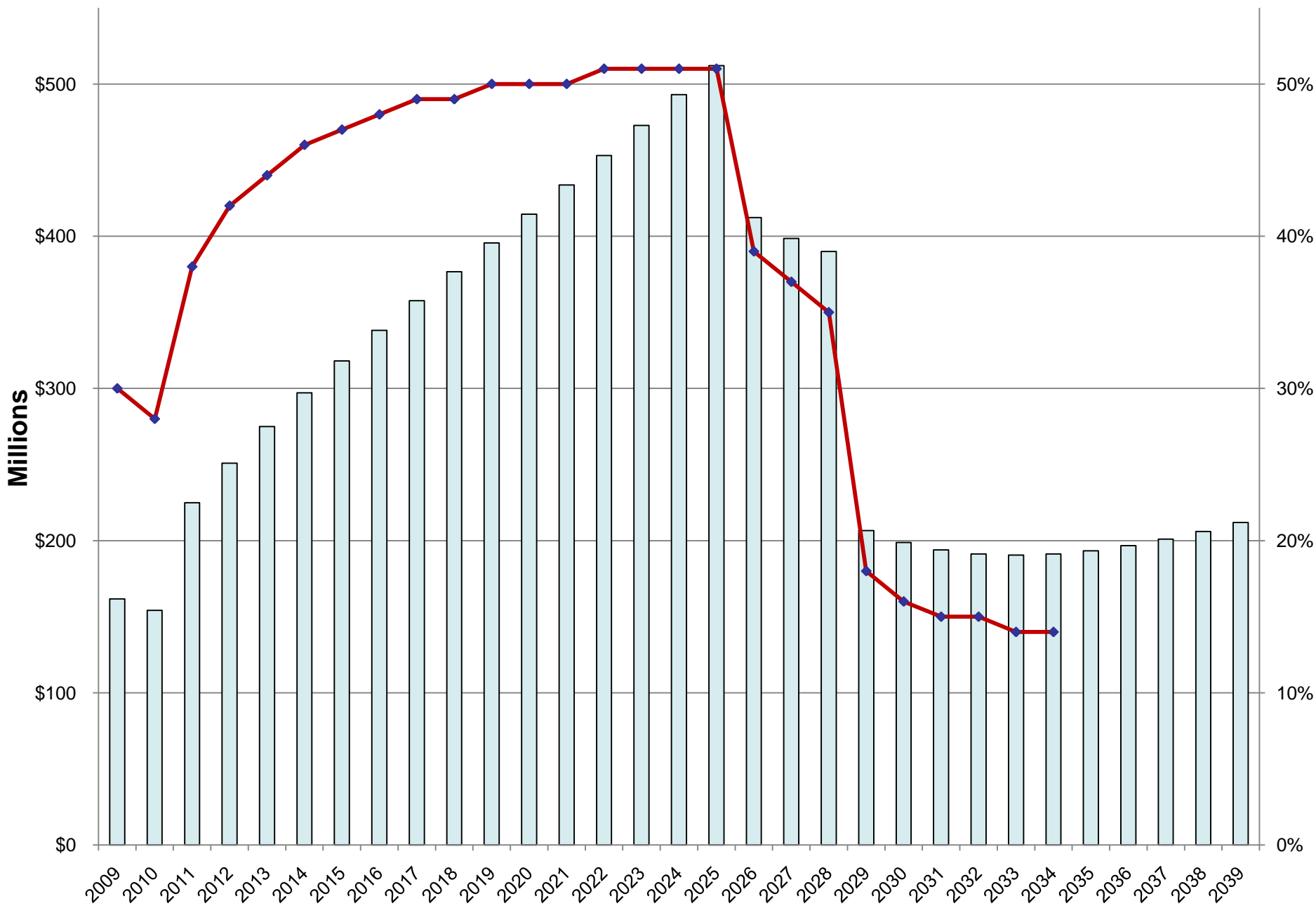


# ***The City's Liabilities are Structurally Unsustainable***

- **No Tax Increase Big Enough, No Service Cut Deep Enough**
- **Which Liabilities Are Driving The Deficit?**
  - **Pension**
  - **Retiree Health Care**



# Forecasted Pension Payments and Payments as % of Payroll



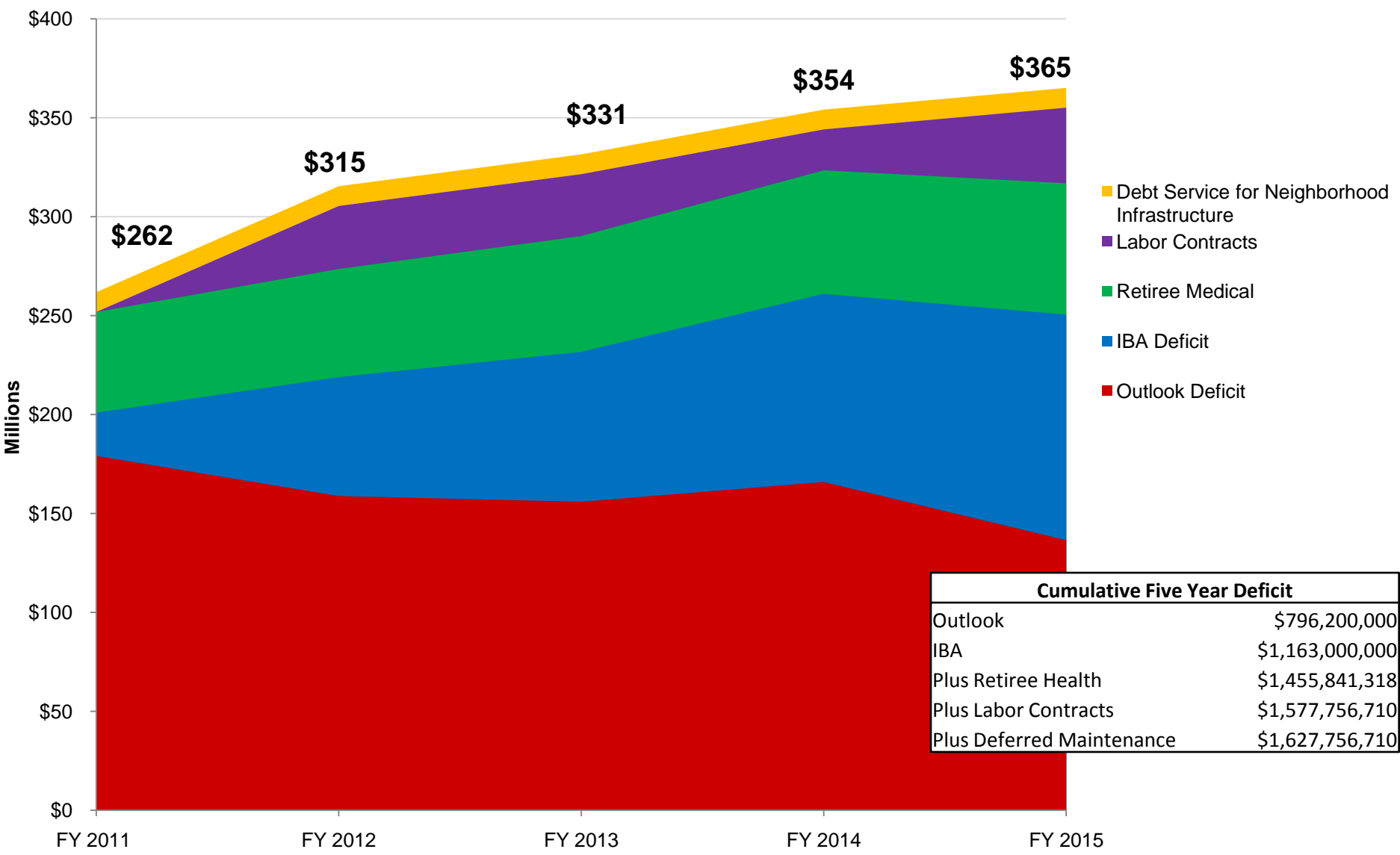


# ***A Third Solution: Structural Reorganization and Reform of Liabilities***

- **Efficiency Reforms (Managed Competition and Performance Audits)**
- **Pension and Retiree Health Care Reforms**
  - COLA
  - DROP
  - Negotiate to “Unwind” Retroactive Benefits
  - Continue Progress from Recent Labor Negotiations



### Deficit With Revised Liabilities and Revenues



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