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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF CALIFORNIA

SACRAMENTO DIVISION

In re: CITY OF STOCKTON, CALIFORNIA, Debtor.	Case No. 2012-32118 D.C. No. OHS-1 Chapter 9 **DECLARATION OF VANESSA BURKE IN SUPPORT OF CITY OF STOCKTON'S STATEMENT OF QUALIFICATIONS UNDER SECTION 109(C) OF THE UNITED STATES BANKRUPTCY CODE** Date: TBD Time: TBD Dept: TBD Judge: TBD

I, Vanessa Burke, hereby declare:

1. I am the Assistant Director of the Administrative Services Department (the "Department") for the City of Stockton, California ("the City" or "Stockton"). I make this declaration in support of the City's Statement Of Qualifications Under Section 109(c). In my capacity as Assistant Director, I assist with the development and administration of the Department's budget. My responsibilities also include: coordinating the City's annual audit; assisting with the City's ongoing efforts to implement an automated and integrated financial accounting system; conducting financial analyses and preparing a variety of reports relating to department and City-wide financial activities; and attending City Council meetings and committee meetings to provide information regarding the Department's budget and other financial matters.

2. I have served as the Assistant Director, under the supervision of the Chief Financial Officer, since I joined the City on December 1, 2011. Prior to joining the City, I worked for over 15 years as a Certified Public Accountant mostly in the private sector, with my most recent position being as a senior manager with Moss Adams LLP for over five years. I spent five years with PricewaterhouseCoopers LLP and another six years as an accountant in several other local firms. I also served for two years as an accountant with the City of Sacramento, where I was responsible for financial reporting and supported the external audit and the preparation of that City's Comprehensive Annual Financial Report ("CAFR"). While in the private sector, I specialized in the audits of governmental agencies, including state agencies, large public pension plans, bond issuers, cities, community colleges, the UC system, private universities, and school districts. Between my public sector and private sector experience, I am very familiar with generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB"), applicable to public entities.

3. I have been licensed as Certified Public Accountant in California since 1994. I am a member of the American Institute of Certified Public Accountants (AICPA), the Government Finance Officers Association (GFOA), and the California Society of Certified Public Accountants (CalCPA), where I serve in various leadership roles. I also have taught courses regarding various

accounting topics at the CalCPA annual government conference, to the California School Board Officers, at the American Society of Women Accountants, and at many employer-sponsored events. I hold a Bachelor of Science degree in Business Administration (Accountancy) from California State University, Sacramento.

City Accounting And Finances

4. The City maintains its records and issues a CAFR in accordance with GAAP. GAAP requires that municipalities account for their activities in separate funds as a means of segregating resources by source and purpose and to allow a reporting process that not only reflects the financial activities of each of the funds but also shows compliance with the numerous restrictions that are placed on many of the resource streams of the individual funds. The City adopts its budget each fiscal year on a different accounting basis than GAAP. Those differences are described in the City's CAFR.

5. For example, many cities adopt fees and then restrict the use of the proceeds because state law limits the use of the fees to specific purposes for which the fees are established.[1] Also, federal, state, and private grants contain requirements that restrict how and for what purpose grant monies may be spent. In addition, Article XIIID, Section 6, of the California Constitution restricts how, for example, the fees charged for water and sewer services are determined and the purposes for which they may lawfully be spent.

6. The City was found to have violated such laws in the past, resulting in a $20.3 million judgment arising from a lawsuit brought against it by the Howard Jarvis Taxpayers' Association. With interest, the City's obligation thereunder approximates $33.8 million through 2040. Attached hereto as Exhibit A is a true and correct copy of the stipulated judgment between the City and Howard Jarvis in *Howard Jarvis Taxpayers Ass'n v. City of Stockton*, No. CV030686 (San Joaquin Sup. Ct. Aug. 11, 2009).

7. The most important of these funds is the General Fund since it is the fund which accounts for most municipal services—police, fire, public works, administrative services,

[1] *See, e.g.*, Cal. Gov't Code §§ 66000 et seq. (the so-called "Mitigation Fee Act," which allows cities to impose development impact fees for specific projects).

recreation, and cultural programs. Unlike almost any other fund, the revenues of the General Fund may be spent on any legal municipal purpose. Because of this, the General Fund functions as the purse of last resort, and is called upon to supplement and backfill shortages in other programs.

8. The City maintains over 200 individual accounting funds established to segregate revenues that are restricted by federal, state, or other sources for specific purposes. While the City has significant cash and investment balances in other funds, the vast majority of these assets are from restricted sources not available for General Fund use. In support of the City's insolvency analysis, I supervised the preparation of a detailed table identifying which of its funds are unrestricted and which are restricted. The table also identifies the source of restriction for each fund. Where applicable, true and correct copies of documentation evidencing each restriction are attached as exhibits to the table. This analysis is attached hereto as Exhibit N.[2]

The General Fund Likely Is Insolvent Now

9. As described in the Declaration of Laurie Montes ("Montes Decl."), Dkt. No. 23, the General Fund has operated at sizable deficits for the past few years. These chronic deficits have been the result of, among other factors, a sharp decrease in the City's General Fund revenues. Beginning in fiscal year 2007-08, revenues fell, and kept falling. Meanwhile, General Fund expenditures maintained an upward trajectory, with scheduled increases every year. With revenues and expenses trending opposite directions, the inevitable deficits rapidly eliminated all available General Fund reserves, leaving the City as early as spring 2010 with a $23 million deficit. *See generally* Exhibit Q to the Montes Decl. (February 28, 2012 staff report), Dkt. No. 27. The City closed this deficit in 2010, and closed a larger $37 million deficit in 2011, but by February 28, 2012, staff reported to the City Council that, absent urgent action, the City would be insolvent by the end of the 2011-12 fiscal year. *Id.*

10. The City Council took such action. *See* Montes Decl., ¶¶ 35-42. The measures adopted by the City Council on February 28, 2012, however, used up the last unrestricted reserves from various funds available to the City, resulting in a projected June 30, 2012 available

[2] Because of the voluminous nature of this exhibit, it is attached, out of order, as the last exhibit to this declaration.

unrestricted fund balance barely above zero. While at first glance a positive balance suggests solvency, the only reason the City will end the year with zero, rather than in a negative position, is that the City failed to pay some of its legal obligations, including bond payments and separation payments to retiring City employees. These breaches preserved cash to provide the funding of the AB 506 process and to continue vital operations through the end of the 2011-12 fiscal year.

11. The City effectively has no remaining reserves to draw upon and is facing an operating shortfall of almost $26 million for fiscal year 2012-13, which begins July 1, 2012. As reflected in the long-range forecast attached hereto as Exhibit B[3], the City's deficit is projected to grow to $47 million within three years, in large part due to the continuing stagnation in General Fund revenues, caused by the poor housing market and economy, and by increasing costs the City cannot unilaterally reduce without consequences.

Negative General Fund Cash Flow In Fiscal Year 2012-13

12. Due to recent tax receipts (and the actions taken on February 28), the City was able to sustain operations through June 30, 2012. It is projected to end the 2011-12 fiscal year with a General Fund pooled cash balance of approximately $1.3 million. With no reserves or additional anticipated revenue in the short term, though, this unrestricted General Fund cash balance is projected to be entirely depleted within the first few days of the next fiscal year. A true and correct analysis of the City's fiscal year 2012-13 projected cash flow is attached hereto as Exhibit C. Exhibit C represents the Department's best available assumptions and expectations in light of currently available information.

13. This analysis confirms that the City will not be able to pay its debts as they become due as early as the first few days of July 2012. General Fund cash flow is sporadic. While personnel expenses (approximately 68% of total expense) are expected to remain steady throughout the year, revenue receipts vary widely. For example, the City receives property tax revenues into the General Fund twice in a fiscal year, in December and April. Other revenues may come into the General Fund on a monthly basis (such as sales tax, and the utility users tax),

[3] Exhibit B is an expanded version of the chart included in the June 5, 2012 staff report, *see* Montes Decl., Ex. U, Dkt. No. 28, at page 10, and incorporates the assumptions discussed herein.

quarterly (such as the transient occupancy tax), or annual basis (such as business license tax or PG&E franchise payments), but no substantial amount of revenues is received into the General Fund on a daily or weekly basis.

14. What General Fund obligations may come due in the first few days of the 2012-13 fiscal year cannot be precisely projected. However, the City knows with certainty that it must make a payroll payment on July 20, 2012, for the pay period ending on July 15, 2012. The amount of that General Fund payroll payment will be approximately $4.9 million. The City will not have received General Fund revenues by July 20, 2012 sufficient to cover that payroll payment. By the first business day in fiscal year 2012-13, July 2, the City was required to make its annual Jarvis settlement payment of $1.1 million, *see supra* Paragraph 6, leaving available cash of approximately $186,000. As Exhibit C demonstrates, the City's average non-salary and benefit expenditures per day approximates $150,000. Daily spending at that level, when the City's major revenues do not come in until the last half of the month, would deplete the available cash balance in only one to two days. Because the City operates on weekends for essential General Fund-supported City services; by the end of July 2, 2012, therefore, the City would have incurred salaries and benefits costs for public safety, public works and other services that it could not afford to pay.

15. Even assuming the City could cobble together the funds to make the July 20 payroll payment, the City's cash flow analysis demonstrates that the General Fund will have a negative ending balance in every month of fiscal year 2012-13, including a $6.4 million negative ending balance in July 2012, the first month of the fiscal year, up to a approximately a $34 million negative ending balance in November 2012. *See* Ex. C. As the projection demonstrates, the City will lack sufficient funds in any month in fiscal year 2012-13 to permit the City to pay the General Fund obligations that it will incur.

16. Nor can the City borrow money from other City accounts or from the private credit markets to temporarily cover its July 20, 2012 payroll obligation or any other cash flow deficit it will encounter in fiscal year 2012-13. First, the City is not creditworthy, and private credit markets would not give the City a loan when the City has no General Fund reserves and its

financial projections demonstrate the inability to repay the loan. A recent transaction confirming the difficulty the City is faced with borrowing was its inability to obtain a $75,000 purchase card account (essentially its credit card line) with its primary banking institution without first establishing a security deposit in an amount twice the level of the borrowing. This type of security would have required additional cash to be set aside by the City that it does not otherwise have. Second, there is not enough money lawfully available in other City accounts to cover the large cash flow shortfalls that Stockton will experience in fiscal year 2012-13. Almost all of the money in the City's other funds is restricted by law for use in connection with the programs or services for which the funds were established. *See* Ex. N (fund restriction table).

17. Regardless, Stockton cannot lawfully borrow from other City funds (or the private market) because the City cannot demonstrate the ability to pay back any such loan with revenues generated in fiscal year 2012-13, as the law requires. Article XVI, Section 18 of the California Constitution prohibits the City from incurring a debt in any year that exceeds the available revenues of the City for that year, without the approval of two-thirds of the qualified voters. In plain terms, each year's City revenue must pay each year's City expenditures. Given that the City projects a $26 million deficit for fiscal year 2012-13 and effectively has no General Fund reserves, a loan to the General Fund from another City fund or a private creditor would necessarily create a debt that exceeded the City's available revenue for the fiscal year in violation of Article XVI, Section 18.

18. It also would violate restrictions placed on those other City funds (such as gas tax, grants, developer fees, water and sewer utility fees) by expending them for purposes not allowed by state or federal law. *See* Ex. N (table of fund restrictions).

Fiscal Year 2012-13 Financial Projections

19. Forecasting municipal finances is a science of estimation based on experience, various known and unknown factors, the political process and projections of future economic conditions and events. Because generating additional City revenues on demand is difficult if not impossible, and actual yearly revenues and expenditures are largely beyond City control (e.g., revenues are impacted by economic events, revenues and expenses are affected by state and

federal legislative acts, labor costs are controlled by contract), there is little room or ability to adjust City finances in real time when events deviate significantly from projections. It is not possible to make concrete municipal budgets because there are few, if any, concrete financial facts regarding future economic events, legislative acts, revenues, and expenditures.

20. The source of the City's General Fund imbalance in fiscal year 2012-13 is not a mystery. The trends from the last several years remain the same: while City's revenues have not recovered following the steep decline during the long term recession, its General Fund expenses remain the same or, in some cases, rise. The City has completely depleted its General Fund reserves, which are generally designed to help protect against the need to raise taxes or reduce services due to temporary revenue shortfalls or unplanned one-time expenditures. A leading guide states that the "adequacy of unreserved fund balance in the general fund should be assessed based on the government's own specific circumstances" and recommends minimum levels that should be maintained regardless of organizational size. Stephen Gauthier, *Governmental, Accounting, Auditing, and Financial Reporting*, p. 51 (2005). A City having no reserves would fail to meet that standard.

21. Attached collectively hereto as Exhibit D are true and correct copies of excerpts from the City's proposed 2012-13 budget, as delivered by the City Manager to the City Council on May 15, 2012. As Exhibit D reflects, City revenues are projected to be approximately $154.9 million, while City expenses are projected to be approximately $180.8 million. *See* Ex. D, at A-4. While different projections could be generated based on different assumptions, the City considers its projections for the 2012-13 fiscal year to be as reasonably accurate as the prospective budgeting process can be in municipal finance.

Fiscal Year 2012-13 Revenues

22. The City projects that General Fund revenues in fiscal year 2012-13 will be approximately $154.9 million. *See* Ex. D at D-1. Adverse economic conditions continue to affect the City's primary revenue sources: property taxes, sales taxes, utility user taxes, franchise taxes, and business license taxes, which combined account for about 86% of General Fund revenue.

Overall, General Fund revenues for fiscal year 2012-13 are projected to drop 2% from 2011-12. *Id.* at A-4, D-2.

23. The City estimates a 4.9% decline in property taxes from fiscal year 2011-12 to fiscal year 2012-13. *See* Ex. D at D-2. This estimate is based on information provided to the City by its tax auditor, The HdL Companies ("HdL"), and in part on communications with the San Joaquin County Assessor, local banks, and local developers. Attached as Exhibit E is a true and correct copy of a property tax projection prepared for the City by HdL.

24. A major factor depressing property taxes is the structure of California's property tax system. Annual assessed value adjustments, absent a change in ownership or new construction on the property, are limited to the lesser of the change in the California consumer price index or two percent. *See* Cal. Const., art. XIIIA, § 2(a). An increase or decrease in the assessed value does occur upon a change in property ownership, and new construction is assessed at a value established by the assessor. Where changes in ownership result in a lower assessed value (which is typically the case in foreclosures and short or distressed sales), the new base is locked in at the lower value and can only increase at the lesser of the CPI or two percent per year. Thus, the high rate of foreclosures and short or distressed sales in Stockton will penalize the City for years to come with lower property tax revenues and growth rates compared to cities with lower numbers of such transactions.

25. HdL estimates that fiscal year 2012-13 sales taxes will continue a modest upward trend. *See* Ex. D at D-2. But expected revenue of $38.9 million in fiscal 2012-13 is still 19% below peak year levels. *See* Montes Decl., Ex. C, Dkt. No. 23. Attached collectively as Exhibit F are true and correct copies of sales tax projections prepared by HdL for the City.

26. Utility Users' Taxes and franchise tax depend on resident use, while the business license tax depends on economic activity. Given the City's still-depressed economic environment, the City projects that these revenue streams will remain flat in the upcoming fiscal year. *See* Ex. D at D-2.

27. Legal and accounting requirements limit the City's ability to raise or borrow money to close revenue shortfalls. Proposition 13 limits property tax rates to 1% of fair market

value, subject to the limitations described above, exclusive of voter-approved bonded indebtedness. Cal. Const., art. XIIIA. Proposition 218, passed by the voters in 1996, limits the City's ability to raise any other taxes by requiring that a majority of voters approve any new or increased general tax (one the proceeds of which can be used for any purpose) and that a two-thirds majority approve any new or increased special tax (one expressly limited to a specific purpose). Cal. Const., arts. XIIIC and XIIID. Further, Proposition 218 places significant restrictions on the ability of the City to raise special assessments or property related fees to cover specific costs, and in any event, these types of revenues are not permitted to be used for general governmental purposes such as those funded from the City's General Fund. Cal. Const. Art. XIIID.

28. Locally, voters' passage of Measures K (a half-cent sales tax for transportation enacted in 1990) and W (a quarter-cent sales tax for public safety enacted in 2004) established and dedicated supplemental sales taxes to specified programs, leaving the City with limited opportunities to create new general purpose revenue sources. As demonstrated above, the City cannot borrow the funds to make up a cash flow or revenue shortfall either because it cannot repay a loan with unrestricted revenues attributable to fiscal year 2012-13, as required by the California Constitution.

29. Obtaining voter approval for new taxes or borrowing is highly speculative under normal circumstances. It is even more uncertain given the City's historically high rates of foreclosures and unemployment and public concern over the City's past practices, including in establishing an overly generous retiree health program and incurring debt it now cannot afford to pay. Even where the City can lawfully raise revenue with voter approval, the reality is that the voters of the City are extremely unlikely to impose higher taxes on themselves, particularly in the current economic climate.

30. The City has spent two years exhausting every possible revenue source. It also has brought in outside consultants and auditors to assist it. So, for example, it commissioned the Management Partners "second opinion" report produced in February. *See* Montes Decl., Ex. P, Dkt. No. 25. And since this spring, a team of independent auditors from Maze & Associates, the

City's independent Certified Public Accounting Firm, has been auditing the City's fiscal 2010-11 records. Such review is consistent with the City Council's objective of putting the City's "Fiscal House In Order," *see* Montes Decl. Ex. N, Dkt. No. 29, and is required to comply with various bond indentures and state and federal grant requirements. The City looks forward to the auditors' findings. Preliminary unpublished results of the audit, however, have not resulted in findings that would materially increase unrestricted fund balances in the General Fund.

Projected Fiscal Year 2012-13 Expenditures

31. The City projects expenditures for fiscal year 2012-13 to be $180.8 million. *See* Ex. D at D-3. An alternative presentation of the City's 2012-13 projected expenditures, totaling the same amount but allocated by expense type rather than by department, is attached hereto as Exhibit G.

32. This figure is dependent on certain assumptions. First and foremost, it assumes that a court will not rule against the City in the pending litigation over compensation and benefit reductions imposed by the City on some of its employees, as explained in the Declaration of Ann Goodrich ("Goodrich Decl."). Goodrich Decl., ¶¶ 10-12. Were this to occur, the General Fund would be liable for at least another approximately $12.5 million immediately, a judgment not accounted for in its budget and which would immediately plunge the City into deeper insolvency.

33. Further, the budget assumes that upcoming pay and benefit increases under current collective bargaining agreements ("CBAs") will not be granted, and that previous impositions remain in effect. This represents an additional $9.2 million in General Fund cost through the end of the CBAs that extend to mid-2014. In addition, as noted above, the City defaulted on three of its General Fund bond obligations during fiscal year 2011-2012. Claims have been made by the bond trustee for these bond issues and if those claims are pursued in court, the City will be liable to repay over $2,000,000 to the bond trustee plus very substantial legal fees and costs that the bond trustee already has alleged exceed $1,000,000.

34. The following is an approximate allocation of the City's projected 2012-13 General Fund expenditures, totaling $180.8 million:

- $91.2 million (50.4% of total) for base salary, current employee health care, and other personnel costs (including overtime, workers compensation, "add" pays, and compensated absences), an increase of 6.7% over fiscal year 2011-12;
- $16.6 million (9.2%) for pension funding with CalPERS, an increase of 3.3%;
- $9.2 million (5.1%) for retiree health care, an increase of 15.3%;
- $12.3 million (6.8%) for debt service (including on pension obligation bonds), an increase of 23.8%;
- $15.9 million (8.8%) for program support required by library, recreation, golf, entertainment venues and redevelopment successor agency, an increase of 20.4%;
- $33.6 million (18.6%) for services and supplies, an increase of 1.4%;
- $2.0 million (1.1%) for contingency.

See Ex. G.

35. As explained below, none of the City's major expense categories are projected to decrease in the fiscal year, and in aggregate expenditures are projected to *increase* 8.0%.

The City's Labor Costs

36. Labor costs have been and remain by far the City's largest General Fund expenditure, with compensation and benefits alone representing approximately 68% of General Fund expenditures in fiscal year 2012-13. *See* Ex. D at D-3; Ex. G. Altogether, the Police and Fire departments comprise 91% of those personnel costs paid by the General Fund, including grant-funded positions the General Fund must support when the COPS Hiring Recovery Program grant expires.

37. Under the continuing fiscal emergency, the City has drastically reduced labor costs by renegotiating contracts, imposing unilateral alterations to the terms of individual CBAs, and by slashing the number of funded positions. *See generally* Montes Decl., ¶¶ 19-26; Goodrich Declaration. The increase in salaries from fiscal year 2012-13 is largely due to absorbing police personnel that were previously paid by grants ($2.9 million) and phasing out half of furlough savings to address workload issues ($1.1 million). There is no change in staffing levels.

38. As reflected in the Pendency Plan adopted by the City Council on June 26, 2012, *see infra* Paragraph 50, the City intends to obtain significant savings both through the continued exercise of its fiscal emergency powers and through the imposition of new terms and conditions of employment, should the parties be unable to reach agreement. *See also* Goodrich Decl., ¶ 13.

The City's Pension Costs

39. General Fund pension costs are projected to be $16.6 million. *See* Ex. G. CalPERS costs are driven by the state's actuarial report and the discount rate that CalPERS uses for investment earnings. Future risks include additional reductions in the discount rate and/or CalPERS investment losses, starting in fiscal year 2013-14. But in the short term, for the fiscal year 2012-13 insolvency analysis, CalPERS costs are set by formula and state law.

The City's Debt Service

40. The City's debt service expenditures have been and will continue to trend upward. The City administers approximately 50 bond issues and lease financing arrangements. Seven of these bond issues are backed by the General Fund. *See* Ex. G; Ex. D at M-1.

41. Over the last decade, the City incurred large amounts of debt in connection with an ambitious urban renewal plan. Attached collectively as Exhibit H are true and correct copies of news articles about these events: Erin Hallissy, *Mudville Takes a Mighty Swing at Glory*, S.F. CHRON., Apr. 28, 2005, at A1 ("more than $500 million is being spent to renovate or completely remake more than 75 city blocks"); and Sam Quinones, A *Cutting-Edge City: Stockton?*, L.A. TIMES, June 25, 2006, at B1 ("Stockton has bet $126 million on what officials believe is California's largest redevelopment project.").

42. Among the obligations the City incurred were $46 million to construct the events center/arena (through the 2004 Arena Project lease revenue bonds), $32 million for two parking garages and other capital projects (2004 Lease Revenue Bonds), $40 million for a new City Hall (2007 Lease Revenue Bonds), $13.5 million for the Essential Services Building (completed in 2001 and refinanced by 2006 Lease Revenue Bonds), $35 million for a fire station, police communications center, parks, and street improvements (2009 Lease Revenue Bonds), $13 million for housing projects (2003 Certificates of Participation), and $11 million for marina

construction (2006 Dept. of Boating & Waterways loan). Attached as Exhibit I is a true and correct summary of the City's General Fund indebtedness, displayed by transaction.

43. Underlying this growth strategy seems to have been the assumption that the explosive growth occurring in the housing sector would continue indefinitely, and that developer fees and property tax growth would provide sufficient revenue to meet these obligations. The City thus "back-loaded" some debt payment schedules to increase annual debt payments over time. For example, attached as Exhibit J is a true and correct copy of a chart prepared by the Department and included in a staff presentation to City Council on June 26, 2012; the chart demonstrates how two bond issuances—the 2007 pension obligation bonds and the 2004 lease revenue bonds—were back-loaded. Moreover, in order to finance its new facilities, the City agreed to use the General Fund as backup security for bond repayment, even where other payment streams were available.[4]

44. Likewise, in 2007, the City issued $125 million of pension obligation bonds in an effort to pay off an unfunded liability financed by California Public Employees Retirement System ("CalPERS" or "System") at its diversified portfolio yield rates with bond proceeds derived from debt financed at lower taxable long term debt interest rates. The City placed these funds into CalPERS at the height of the boom, subjecting it to the market timing risks inherent in the POB debt instrument. Cash went to CalPERS a year before the System sustained huge losses in its diversified portfolio. Effectively, this meant that the City was still required to pay the same amount of debt service to bondholders, but the principal amount that was being invested by CalPERS instead declined by approximately 30%, recreating a comparable amount of unfunded liability rather than producing income and lowering the costs of the City's pension plans. As of

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[4] The City used the General Fund as the primary security for its Pension Obligation Bonds ("POBs") and Lease Revenue Bonds ("LRBs") based on its assessment that growth related revenues from downtown development, public facilities impact fees and redevelopment tax increment allocations would protect it from using general revenues to repay the debt. Underwriters and insurers preferred the simpler pledge of the General Fund based on its high bond rating to the complexity of estimating and managing underlying growth related revenues. This highly leveraged financing structure with rising debt service payments and volatile underlying revenues supporting the General Fund dangerously increased financial risk that would affect essential city services. Only the 2004 LRBs used to construct the Arena were secured by a pledge of the underlying tax increment allocations. Those bonds were issued early in the City's development boom and, as a result, were less subject to leverage caused by deep reductions in tax increments that accrued between 2004 and 2008.

June 30, 2010, the City had a combined unfunded actuarial liability for its safety and miscellaneous employee benefits plans of $148.5 million to make up on a going-forward basis, which is only $20.4 million less than the City's $168.9 million unfunded actuarial liability as of June 30, 2006, *before* issuance of $125 million in bonds. Attached collectively as Exhibit K are true and correct copies of actuarial valuations of the City's accrued and unfunded CalPERS liability from June 2010 and June 2007.

45. Finally, in the midst of an economic downturn, the City incurred additional risk by issuing variable rate bonds to finance the purchase of an office building and improvements located at 400 East Main Street. The City counted on significant rental income from such property, including income from its own occupancy of the building. But, instead, the City could not afford to move into the building or lease significant space to other tenants because of deteriorating financial conditions between 2007 and 2012. As a result, the building failed to generate sufficient income to pay the bond debt, forcing the City to default on the debt on May 1, 2012.[5]

46. As a result of all these decisions, as of June 28, 2012, the General Fund is carrying approximately $316 million in total outstanding indebtedness, including from some situations where it is backfilling obligations that could have been made payable by other funds, except for their lack of resources to do so. *See* Ex. I. In recent years, maximum debt service exposure has increased nearly sixfold, from $3 million in fiscal year 2006-07 to $17.7 million in fiscal year 2012-13. *See* Ex. I (true and correct copy of a summary presented to the City Council on June 5.

The City's Retiree Medical Costs

47. As detailed in the Declaration of Teresia Haase ("Haase Decl."), Dkt. No. 21, in the upcoming fiscal year, pay-as-you-go retiree medical costs for all funds will total approximately $16.7 million (of which $9.2 million is attributable to the General Fund). Haase

[5] Variable rates for municipal bonds have generally remained low in the market, but the liquidity provider for the City's 2007 Bonds is Dexia Credit Local, a financial institution that experienced significant financial difficulties of its own over the past two years. As a result, investors demanded interest rates of up to 8 times the market rate for the City's 2007A Bonds (from approximately 3.25-4% instead of approximately 0.5%, before payment of liquidity and remarketing fees), and since the actions taken by the City on February 28, 2012 described above, virtually all of these bonds have been tendered to Dexia, resulting in their interest rate increasing to the default rate of 6.25%.

Decl., ¶ 6; Ex. G. As the chart and table attached as Exhibit L depicts, this amount is projected to double in ten years.[6]

The City's Services And Supplies Cost

48. This category comprises the bulk of non-personnel costs, and increases are primarily inflationary in nature. *See* Ex. G.

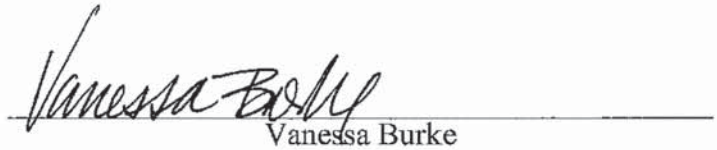
The City's Program Support Costs

49. This category includes support of non-General Fund programs that lack the resources to meet existing obligations. *See* Ex. G. This includes the library, recreation programs, golf courses, entertainment venue and sports team subsidies, and support of the wind-down of the redevelopment agency. Increases are chiefly attributable to planned fiscal stabilization expenses—amounts needed to ensure the City does not fall further behind, and is sustainable over time. *Id.* These include $1 million for increased preventative maintenance and $750,000 to reduce deficits in the workers compensation self-insurance fund.

The City Has Adopted A Pendency Plan Contingent On Obtaining Relief In This Court

50. On June 26, 2012, the City Council adopted a "Pendency Plan" budget based on the assumption that the City would file this petition before the beginning of fiscal year 2012-13. A true and correct copy of the Pendency Plan (without exhibits) is attached hereto as Exhibit M.

Executed this 3rd day of July 2012, at Stockton, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.



Vanessa Burke

[6] Should retirees become creditors in this bankruptcy case, the City is unable to contact directly approximately 282 of them because CalPERS will not release their addresses to the City.

Exhibit A

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CITY OF STOCKTON

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CITY OF STOCKTON

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN JOAQUIN

HOWARD JARVIS TAXPAYERS ASSN.; PATRICK SAMSELL; JAMES WATSON, Plaintiffs, v. CITY OF STOCKTON; ADRIAN VAN HOUTEN, in his official capacity as San Joaquin County Auditor/Controller, Defendants.	CASE NO: CV 030686 **JUDGMENT PURSUANT TO STIPULATION** Complaint Filed: October 10, 2006

The parties, Plaintiff HOWARD JARVIS TAXPAYERS ASSOCIATION, Plaintiff PATRICK SAMSELL, Plaintiff JAMES WATSON, and Defendant CITY OF STOCKTON, having negotiated a settlement and having submitted a written stipulation for the entry of judgment pursuant to Code of Civil Procedure section 664.6, and good cause appearing therefor, the Court finds and IT IS HEREBY ORDERED as follows:

1. The City of Stockton shall make all future transfers from its water, wastewater, and storm water utility funds to its general fund pursuant to the Review of General Fund Cost

Recovery from Utility Funds study by MuniFinancial, as revised on September 21, 2007 and as further revised not to classify state and federal grants for utility construction as general fund monies.

2. The City shall make annual transfers from the general fund to the water utility fund as provided in the payment schedule attached hereto as Exhibit "A."

3. The City shall make annual transfers from the general fund to the wastewater utility fund as provided in the payment schedule attached hereto as Exhibit "B."

4. The City shall, as part of its annual financial audit report, obtain a certification by the City's outside auditor that the City has made the transfers provided in Paragraphs 2 and 3, directly from the City's general fund to the enterprise funds in the amounts specified in the exhibits.

5. The City shall reimburse the Plaintiffs Howard Jarvis Taxpayers Association, Patrick Samsell, and James Watson for their costs and attorneys' fees incurred in this action by submitting a check in the amount of $13,600, payable to the Howard Jarvis Taxpayers Foundation, to the Howard Jarvis Taxpayers Association within 15 days after the entry of judgment. Such payment shall fully satisfy all claims for costs or attorney's fees of any party.

This judgment shall be deemed the final decision of the Court in this action and in the event of a dispute shall not be construed in favor of or against any party by reason of that party's contribution to the drafting of the judgment or the stipulation by which it is entered. The Court acknowledges that neither party admits liability or fault and that the City specifically denies the allegations in the complaint and denies that Plaintiffs are entitled to any relief.

The Court retains jurisdiction over the parties at their request pursuant to Code of Civil Procedure section 664.6, in order to enforce full performance of the settlement.

DATED: AUG 05 2009

ELIZABETH HUMPHREYS

JUDGE OF THE SUPERIOR COURT

J:\Clients\154 [City of Stockton]\001 [HJTA v. City of Stockton]\Plead\Stipulated Judgment (Final).wpd

REPAYMENT TO WASTEWATER FUND
30 YEARS

FISCAL YEAR	BALANCE DUE AS OF JULY 1	INTEREST RATE	PAYMENT[1]	INTEREST	PRINCIPAL
2010-11	12,323,516.96	4.00%	685,259.81	0.00	685,259.81
2011-12	11,638,257.15	4.00%	685,259.81	465,530.29	219,729.52
2012-13	11,418,527.63	4.00%	685,259.81	456,741.11	228,518.70
2013-14	11,190,008.93	4.00%	685,259.81	447,600.36	237,659.45
2014-15	10,952,349.48	4.00%	685,259.81	438,093.98	247,165.83
2015-16	10,705,183.65	4.00%	685,259.81	428,207.35	257,052.46
2016-17	10,448,131.19	4.00%	685,259.81	417,925.25	267,334.56
2017-18	10,180,796.63	4.00%	685,259.81	407,231.87	278,027.94
2018-19	9,902,768.69	4.00%	685,259.81	396,110.75	289,149.06
2019-20	9,613,619.63	4.00%	685,259.81	384,544.79	300,715.02
2020-21	9,312,904.61	4.00%	685,259.81	372,516.18	312,743.63
2021-22	9,000,160.98	4.00%	685,259.81	360,006.44	325,253.37
2022-23	8,674,907.61	4.00%	685,259.81	346,996.30	338,263.51
2023-24	8,336,644.10	4.00%	685,259.81	333,465.76	351,794.05
2024-25	7,984,850.05	4.00%	685,259.81	319,394.00	365,865.81
2025-26	7,618,984.24	4.00%	685,259.81	304,759.37	380,500.44
2026-27	7,238,483.80	4.00%	685,259.81	289,539.35	395,720.46
2027-28	6,842,763.34	4.00%	685,259.81	273,710.53	411,549.28
2028-29	6,431,214.06	4.00%	685,259.81	257,248.56	428,011.25
2029-30	6,003,202.81	4.00%	685,259.81	240,128.11	445,131.70
2030-31	5,558,071.11	4.00%	685,259.81	222,322.84	462,936.97
2031-32	5,095,134.14	4.00%	685,259.81	203,805.37	481,454.44
2032-33	4,613,679.70	4.00%	685,259.81	184,547.19	500,712.62
2033-34	4,112,967.08	4.00%	685,259.81	164,518.68	520,741.13
2034-35	3,592,225.95	4.00%	685,259.81	143,689.04	541,570.77
2035-36	3,050,655.18	4.00%	685,259.81	122,026.21	563,233.60
2036-37	2,487,421.58	4.00%	685,259.81	99,496.86	585,762.95
2037-38	1,901,658.63	4.00%	685,259.81	76,066.35	609,193.46
2038-39	1,292,465.17	4.00%	685,259.81	51,698.61	633,561.20
2039-40	658,903.97	4.00%	685,259.81	26,355.84	658,903.97
			$20,557,794.30	$8,234,277.34	$12,323,516.96

[1]Payments will be recorded as of July 1st.

REPAYMENT TO WATER FUND
30 YEARS

FISCAL YEAR	BALANCE DUE AS OF JULY 1	INTEREST RATE	PAYMENT[1]	INTEREST	PRINCIPAL
2010-11	7,944,707.55	4.00%	441,772.33	0.00	441,772.33
2011-12	7,502,935.22	4.00%	441,772.33	300,117.41	141,654.92
2012-13	7,361,280.30	4.00%	441,772.33	294,451.21	147,321.12
2013-14	7,213,959.18	4.00%	441,772.33	288,558.37	153,213.96
2014-15	7,060,745.22	4.00%	441,772.33	282,429.81	159,342.52
2015-16	6,901,402.70	4.00%	441,772.33	276,056.11	165,716.22
2016-17	6,735,686.48	4.00%	441,772.33	269,427.46	172,344.87
2017-18	6,563,341.61	4.00%	441,772.33	262,533.66	179,238.67
2018-19	6,384,102.94	4.00%	441,772.33	255,364.12	186,408.21
2019-20	6,197,694.73	4.00%	441,772.33	247,907.79	193,864.54
2020-21	6,003,830.19	4.00%	441,772.33	240,153.21	201,619.12
2021-22	5,802,211.07	4.00%	441,772.33	232,088.44	209,683.89
2022-23	5,592,527.18	4.00%	441,772.33	223,701.09	218,071.24
2023-24	5,374,455.94	4.00%	441,772.33	214,978.24	226,794.09
2024-25	5,147,661.85	4.00%	441,772.33	205,906.47	235,865.86
2025-26	4,911,795.99	4.00%	441,772.33	196,471.84	245,300.49
2026-27	4,666,495.50	4.00%	441,772.33	186,659.82	255,112.51
2027-28	4,411,382.99	4.00%	441,772.33	176,455.32	265,317.01
2028-29	4,146,065.98	4.00%	441,772.33	165,842.64	275,929.69
2029-30	3,870,136.29	4.00%	441,772.33	154,805.45	286,966.88
2030-31	3,583,169.41	4.00%	441,772.33	143,326.78	298,445.55
2031-32	3,284,723.86	4.00%	441,772.33	131,388.95	310,383.38
2032-33	2,974,340.48	4.00%	441,772.33	118,973.62	322,798.71
2033-34	2,651,541.77	4.00%	441,772.33	106,061.67	335,710.66
2034-35	2,315,831.11	4.00%	441,772.33	92,633.24	349,139.09
2035-36	1,966,692.02	4.00%	441,772.33	78,667.68	363,104.65
2036-37	1,603,587.37	4.00%	441,772.33	64,143.49	377,628.84
2037-38	1,225,958.53	4.00%	441,772.33	49,038.34	392,733.99
2038-39	833,224.54	4.00%	441,772.33	33,328.98	408,443.35
2039-40	424,781.19	4.00%	441,772.33	16,991.14	424,781.19
			$13,253,169.90	$5,308,462.35	$7,944,707.55

[1]Payments will be recorded as of July 1st.

Exhibit B

EXHIBIT B

City of Stockton Budget Forecast

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Revenues		*5/15/12 Budget*								
Property Tax	44,430,487	42,353,100	40,809,416	40,809,416	41,625,604	42,874,372	44,589,347	46,372,921	48,227,838	50,156,952
Sales Tax	36,989,825	38,913,490	40,321,265	41,655,620	42,978,695	44,482,950	46,039,853	47,651,248	49,319,041	51,045,208
Utility Users Tax	31,236,736	31,487,000	31,709,075	31,999,283	32,319,276	32,804,065	33,296,126	33,795,568	34,302,501	34,817,039
Franchise Tax	12,207,238	11,260,700	11,386,000	11,513,000	11,685,695	11,919,409	12,157,797	12,400,953	12,648,972	12,901,952
Business License Tax	9,145,000	9,235,000	9,327,000	9,420,000	9,561,300	9,704,720	9,850,290	9,998,045	10,148,015	10,300,236
Hotel/Motel Tax	1,800,000	1,811,000	1,829,000	1,847,000	1,865,470	1,884,125	1,902,966	1,921,996	1,941,216	1,960,628
Document Transfer Tax	604,000	530,000	536,890	543,870	552,028	560,308	568,713	577,243	585,902	594,691
Motor Vehicle License	-	-	-	-	-	-	-	-	-	-
Interest Income	140,250	(310,423)	(663,622)	(1,230,743)	(1,869,194)	(2,577,294)	(3,306,286)	(4,057,051)	(4,839,111)	(5,660,557)
Program Revenues										
Fire Contracts	4,915,879	3,923,678	3,801,000	3,763,000	3,744,185	3,725,464	3,706,837	3,688,303	3,669,861	3,651,512
Code Enforcement	3,266,084	3,026,300	3,086,826	3,148,563	3,148,563	3,148,563	3,148,563	3,148,563	3,148,563	3,148,563
Charges for Services	1,971,385	1,963,786	1,983,424	2,003,258	2,023,290	2,043,523	2,063,958	2,084,598	2,105,444	2,126,498
Fines & Forfeitures	1,393,500	1,455,600	1,513,824	1,528,962	1,559,541	1,590,732	1,622,547	1,654,998	1,688,098	1,721,860
Revenues from Other Agencies	742,400	758,000	430,000	435,000	435,000	435,000	435,000	435,000	435,000	435,000
Licenses & Permits	458,226	371,825	379,262	383,054	386,885	390,754	394,661	398,608	402,594	406,620
Misc Other Revenues	(54,658)	(168,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)	(60,000)
Interfund Reimbursements										
Indirect Cost Allocation	5,300,000	4,850,000	4,607,500	4,377,125	4,536,608	4,612,139	4,709,022	4,803,959	4,905,839	5,009,440
Workers Comp Reimbursement	-	-	-	-	-	-	-	-	-	-
Refunds & Reimbursements	820,431	173,383	314,000	320,000	326,080	332,276	338,589	345,022	351,577	358,257
Rents/Leases/Concessions	2,588,557	2,508,746	2,173,700	2,138,000	2,108,068	2,078,555	2,049,455	2,020,763	1,992,472	1,964,578
Transfers In										
Parking-SEB Debt	774,515	772,220	776,000	776,000	794,093	795,758	796,624	796,692	795,961	794,156
Other	-	-	-	-	-	-	-	-	-	-
	158,729,855	154,915,405	154,260,558	155,370,407	157,721,187	160,745,418	164,304,062	167,977,427	171,769,783	175,672,630
Expenditures										
Salaries and Benefits										
Salaries - Safety	37,232,821	37,771,033	38,224,285	38,682,977	39,147,173	39,616,939	40,092,342	40,573,450	41,060,331	41,553,055
Salaries - Non-Safety	16,955,006	17,208,636	17,415,140	17,624,121	17,835,611	18,049,638	18,266,234	18,485,429	18,707,254	18,931,741
Salaries-Part time, Temporary	605,194	1,071,132	1,071,132	1,071,132	1,071,132	1,071,132	1,071,132	1,071,132	1,071,132	1,071,132
Pension - CalPERS	16,075,185	16,612,423	18,716,386	19,434,066	20,179,265	20,953,039	21,756,484	22,590,736	23,456,978	24,356,436
Pension - CalPERS Addition	-	-	3,417,306	3,458,314	5,199,814	5,262,211	5,325,358	5,389,262	5,453,933	5,519,381
Pension - Bonds	5,615,200	5,775,079	6,213,490	6,313,180	6,415,345	6,515,761	6,621,338	6,728,094	6,834,913	6,943,880
Health, Dental, Vision-Employee	9,455,563	8,829,231	8,829,231	8,829,231	8,829,231	8,829,231	8,829,231	8,829,231	8,829,231	8,829,231
Health - Retirees	7,959,094	9,180,636	9,556,560	10,374,467	11,245,131	11,470,807	12,230,470	12,892,528	13,698,715	14,503,402
Workers Compensation	5,660,652	6,371,101	6,498,523	6,628,493	6,761,063	6,896,285	7,034,210	7,174,895	7,318,392	7,464,760
Other Pay and Benefits	7,091,431	6,610,957	6,683,635	6,757,184	6,831,544	6,906,721	6,982,726	7,059,567	7,137,254	7,215,795
Overtime & Standby/Callback	6,842,859	7,328,285	7,415,756	7,504,272	7,593,845	7,684,487	7,776,210	7,869,029	7,962,955	8,058,003
Compensated Absences	4,347,003	4,481,324	4,768,798	4,643,103	4,643,103	4,643,103	4,643,103	4,643,103	4,643,103	4,643,103
Salaries - Safety-Expiring Grants	-	2,430,483	2,613,397	2,816,799	5,611,486	5,678,824	5,746,970	5,815,933	5,885,725	5,956,353
Reductions/reimbursements	(2,758,000)	(1,108,592)	(1,117,095)	(1,125,598)	(1,134,166)	(1,142,799)	(1,151,498)	(1,160,263)	(1,169,094)	(1,177,993)
Budgeted Vacancy Savings	-	(975,618)	(1,693,985)	(2,128,188)	(2,664,362)	(3,133,578)	(3,630,608)	(4,142,940)	(4,526,725)	(4,616,048)

City of Stockton Budget Forecast

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
	115,082,008	121,586,110	128,612,560	130,883,554	137,565,214	139,301,800	141,593,703	143,819,187	146,364,098	149,252,230
Services and Supplies										
Internal Services-Equip	12,182,833	13,274,474	13,539,963	13,810,763	14,086,978	14,368,718	14,656,092	14,949,214	15,248,198	15,553,162
General Liability Insurance	2,283,248	3,150,193	3,187,995	3,226,251	3,264,966	3,304,146	3,343,796	3,383,921	3,424,528	3,465,623
Utilities	2,437,740	2,490,341	2,460,148	2,509,351	2,559,538	2,610,729	2,662,943	2,716,202	2,770,526	2,825,937
Maintenance & Repair Services	2,444,155	2,622,895	2,662,238	2,702,172	2,742,705	2,783,845	2,825,603	2,867,987	2,911,007	2,954,672
Labor/Legal Services	5,122,803	2,206,803	2,306,803	2,306,803	2,341,405	2,376,526	2,412,174	2,448,357	2,485,082	2,522,358
General Expenses	5,871,867	7,130,289	8,019,484	8,131,769	8,245,627	8,361,079	8,478,147	8,596,854	8,717,224	8,839,278
Tax Collection & Election	2,804,000	2,745,250	2,771,764	2,477,394	2,838,167	2,530,549	2,908,655	2,584,941	2,981,231	2,640,603
	33,146,646	33,620,245	34,948,396	35,164,503	36,079,386	36,335,591	37,287,409	37,547,476	38,537,795	38,801,632
Other Program Support										
Library, Recreation & Golf Funds	6,735,022	7,247,000	7,540,099	7,705,943	7,875,435	8,048,655	8,225,685	8,406,608	8,591,511	8,780,481
Entertainment Venues Fund	2,441,299	2,152,000	2,119,096	2,162,921	2,207,652	2,253,308	2,299,908	2,347,472	2,396,020	2,445,572
Other Program Support	950,000	3,100,000	3,075,000	3,075,000	3,075,000	3,075,000	2,075,000	2,075,000	2,075,000	2,075,000
Debt - Redevelopment	3,100,000	1,631,748	2,647,814	2,673,517	2,699,036	2,729,318	2,759,242	2,470,070	2,501,626	2,532,472
Debt - Bonds/Other										
Jarvis Utilities Settlement	1,112,998	1,127,032	1,127,032	1,127,032	1,127,032	1,127,032	1,127,032	1,127,032	1,127,032	1,127,032
2009 LRBs-Pub Facil Bonds/CIP	622,981	631,541	1,130,098	1,087,026	990,742	892,329	791,218	682,001	569,254	569,747
2006 LRBs-Parking (SEB)	832,328	836,528	836,929	812,379	794,093	795,758	796,624	796,692	795,961	794,156
DBW-Debt - Marina	732,000	732,000	784,701	784,701	784,701	784,701	784,701	784,701	784,701	784,701
2007 VRDLRB - 400 E.Main	800,000	2,588,441	3,356,419	2,069,242	2,218,233	1,817,313	1,820,232	1,832,995	1,869,545	1,899,292
Debt - Other/Admin	250,000	642,033	142,033	142,033	142,033	142,033	142,033	142,033	142,033	142,033
	17,576,628	20,688,322	22,759,221	21,639,794	21,913,957	21,665,447	20,821,675	20,664,604	20,852,682	21,150,486
Contingency	1,577,341	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total Expenditures	167,382,623	177,894,677	188,320,177	189,687,851	197,558,557	199,302,838	201,702,787	204,031,266	207,754,575	211,204,349
Reserve Use	-	-	-	-	-	-	-	-	-	-
Baseline Budget Shortfall	(8,652,768)	(22,979,273)	(34,059,619)	(34,317,445)	(39,837,370)	(38,557,420)	(37,398,725)	(36,053,839)	(35,984,792)	(35,531,719)
Fiscal Stabilization										
Fund Deferred Maintenance										
Ongoing Excess of Current	-	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
	-	-	-	-	-	-	-	-	-	-
Increased ISF Contributions										
Computer/Technology	-		250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Rebuild Internal Service Reserves	-	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Employee Cost Increases										
End Work Schedule Modification	-	1,129,016	1,220,371	2,485,818	2,632,874	2,735,407	2,842,259	2,953,626	3,069,718	3,190,752
Salary COLAs	-	-	-	-	2,215,135	4,513,474	6,897,719	9,370,576	11,934,816	14,593,337
Health COLAs	-	-	-	-	176,585	353,169	529,754	706,338	882,923	1,059,508
Increased Services	-	-	-	-	-	-	-	-	-	-
Repay 2/28/12 Transfers	-	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Fiscal Stability Adds	-	2,929,016	3,270,371	4,535,818	7,074,593	9,652,050	12,319,731	15,080,541	17,937,457	20,893,596
Shortfall After Fiscal Stabilization	(8,652,768)	(25,908,289)	(37,329,990)	(38,853,263)	(46,911,963)	(48,209,470)	(49,718,456)	(51,134,380)	(53,922,249)	(56,425,315)

City of Stockton Budget Forecast

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
2/28/12 Council Action										
Special Revenue										
Library	720,995	-	-	-	-	-	-	-	-	-
Measure W	1,232,000	-	-	-	-	-	-	-	-	-
400 E. Main Operating Fund	589,025	-	-	-	-	-	-	-	-	-
Entertainment Venues	570,000	-	-	-	-	-	-	-	-	-
Capital Funds										
General Capital Fund	798,309	-	-	-	-	-	-	-	-	-
ESB & 400 E. Main Capital Fund	1,929,706	-	-	-	-	-	-	-	-	-
Internal Service Funds										
Fleet	2,286,061	-	-	-	-	-	-	-	-	-
Retirement	3,731,170	-	-	-	-	-	-	-	-	-
Arts Endowment Trust Fund	1,300,000	-	-	-	-	-	-	-	-	-
City Debt Service (Mar-Jun 2012)										
2004 Lease Revenue (Parking)	803,658	-	-	-	-	-	-	-	-	-
2009 Lease Revenue (PFF)	680,000	-	-	-	-	-	-	-	-	-
2007 Variable Rate (City Hall)	565,000	-	-	-	-	-	-	-	-	-
Total 2/28/12 Actions	15,205,924	-	-	-	-	-	-	-	-	-
Additional Savings/Resources										
Efficiencies/Alt Service/Fees	-	-	-	-	-	-	-	-	-	-
Service & Staffing Reductions	-	-	-	-	-	-	-	-	-	-
New Revenue Sources	-	-	-	-	-	-	-	-	-	-
Total Other Cost Reductions	-	-	-	-	-	-	-	-	-	-
Net Annual After Adjustments	6,553,156	(25,908,289)	(37,329,990)	(38,853,263)	(46,911,963)	(48,209,470)	(49,718,456)	(51,134,380)	(53,922,249)	(56,425,315)
Beginning Available Balance	(6,553,156)	0	(25,908,289)	(63,238,279)	(102,091,541)	(149,003,505)	(197,212,975)	(246,931,430)	(298,065,811)	(351,988,060)
Ending Available Balance	0	(25,908,289)	(63,238,279)	(102,091,541)	(149,003,505)	(197,212,975)	(246,931,430)	(298,065,811)	(351,988,060)	(408,413,375)
Balance as % of Total Expense	-	(14.3%)	(33.0%)	(52.6%)	(72.8%)	(94.4%)	(115.4%)	(136.0%)	(156.0%)	(176.0%)

Source: City of Stockton budget forecast model with FY12-13 baseline (5/15/12)

Exhibit C

CITY OF STOCKTON
General Fund Cash Flow Projection
For the Period from May 1, 2012 through June 30, 2013

	2012 - 13 Budget	Notes	2012 - 13 Allocation Method	O Projected May 2012	L Projected June 2012 (Reverse 2/28 Reso)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Total	
Beginning Balance - Cash		A		$ (4,596,413)	$ 546,199	$ 1,312,972	$ (6,350,749)	$ (12,034,342)	$ (20,001,527)	$ (27,155,346)	$ (33,839,369)	$)14,500,044)	$ (18,876,542)	$ (25,616,877)	$ (33,765,095)	$ (24,377,441)	$ (31,378,183)	$ 1,312,972	
Revenues:																			
General:																			
Property Tax:																			
County	$ 25,386,000	8	50/50	11,523,475	8,791,244	-	-	-	-	-	12,693,000	-	-	-	12,693,000	-	-	25,386,000	-
County VLF	16,967,100	F	SemiAnnual			-	-	-	-	-	8,483,550	-	-	-	-	-	8,483,550	16,967,100	-
Sales Tax:																			
State	29,114,056	M	See Table in Notes	2,344,738	2,548,920	2,426,171	2,545,221	2,793,572	2,120,353	2,724,165	2,559,335	2,127,175	2,700,005	2,220,407	1,813,076	2,407,444	2,677,132	29,114,056	-
County	9,799,434		50/50	-	4,312,764	-	-	-	-	-	4,899,717	-	-	-	-	-	4,899,717	9,799,434	-
Utility User's Tax	31,487,000	C	FLAT	2,290,543	1,359,493	2,623,917	2,623,917	2,623,916	2,623,917	2,623,917	2,623,916	2,623,917	2,623,917	2,623,916	2,623,917	2,623,917	2,623,916	31,487,000	-
Franchise:					-														
Garbage	7,245,000	C	FLAT	372,821	285,149	603,750	603,750	603,750	603,750	603,750	603,750	603,750	603,750	603,750	603,750	603,750	603,750	7,245,000	-
Cable	2,144,000	G	QTLY	-	-		536,000	-	-	536,000	-	-	536,000	-	-	536,000	-	2,144,000	-
Electric	1,871,700	D	ANNUAL	-	-	-	1,871,700	-	-	-	-	-	-	-	-	-	-	1,871,700	-
Business License	9,235,000	E	10/5/35/50	1,568,998	262,576	923,500	-	-	461,750	-	-	3,232,250	-	-	4,617,500	-	-	9,235,000	-
Hotel/Motel Tax	1,811,000	C	FLAT	115,244	4,758	184,917	150,917	116,919	325,980	117,715	9,054	325,980	117,715	9,054	325,980	117,715	9,054	1,811,000	-
Document Transfer Tax	530,000	C	FLAT	46,170	37,966	44,167	44,167	44,166	44,167	44,167	44,166	44,167	44,167	44,166	44,167	44,167	44,166	530,000	-
Investment Income/Leases	(310,423)	C	FLAT	14,181	5,137	(25,869)	(25,869)	(25,868)	(25,869)	(25,869)	(25,868)	(25,869)	(25,869)	(25,868)	(25,869)	(25,868)	(25,868)	(310,423)	-
Program Revenues:																			
Fire District Contracts	3,923,678	C	FLAT	1,459	-	326,973	326,973	326,973	326,973	326,973	326,974	326,973	326,973	326,973	326,973	326,973	326,974	3,923,678	-
Code Enforcement:																			
County Teeter	1,513,150	I	SemiAnnual	-	-	-	-	-	-	-	756,575	-	-	-	-	-	756,575	1,513,150	-
City	1,513,150	C	FLAT	-	-	126,096	126,096	126,096	126,096	126,096	126,095	126,096	126,096	126,096	126,096	126,096	126,095	1,513,150	-
Charges for Services	1,963,786	C	FLAT	45,385	272,166	163,649	163,649	163,649	163,649	163,649	163,648	163,649	163,649	163,649	163,649	163,649	163,648	1,963,786	-
Fines & Forfeitures	1,455,600	C	FLAT	394,302	112,246	121,300	121,300	121,300	121,300	121,300	121,300	121,300	121,300	121,300	121,300	121,300	121,300	1,455,600	-
Revenues from Other Agencies	758,000	C	FLAT	374,421	357,732	63,167	63,167	63,166	63,167	63,167	63,166	63,167	63,167	63,166	63,167	63,167	63,166	758,000	-
Licenses & Permits	371,825	C	FLAT	24,925	194,964	30,985	30,985	30,986	30,985	30,985	30,986	30,985	30,985	30,986	30,985	30,986	30,986	371,825	-
Misc Other Revenue	(168,000)	C	FLAT	310	56,553	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)	(168,000)	-
Interfund Reimbursements:								-											
Indirect Cost Allocation	4,850,000	C	FLAT	265,104	265,104	404,167	404,167	404,166	404,167	404,167	404,166	404,167	404,167	404,166	404,167	404,167	404,166	4,850,000	-
Refunds & Reimbursements	173,383	C	FLAT	13,081	44,899	14,449	14,449	14,448	14,449	14,449	14,448	14,449	14,449	14,448	14,449	14,448	14,448	173,383	-
Rents/Leases/Concessions	2,508,746	C	FLAT	5,112	11,818	209,062	209,062	209,062	209,062	209,062	209,063	209,062	209,062	209,062	209,062	209,062	209,063	2,508,746	-
Transfers In:					-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Parking SEB Debt	772,220	H	SemiAnnual	-	-	-	386,110	-	-	-	-	-	386,110	-	-	-	-	772,220	-
Subtotal - Revenues	154,915,405			19,400,269	18,923,489	8,226,401	10,181,761	7,602,301	7,599,896	8,069,693	34,093,041	10,377,218	8,431,643	6,921,271	24,141,369	7,752,973	21,517,838	154,915,405	-
Expenditures:																			
Salaries - Safety, Nonsafety	54,979,669	C	FLAT	4,127,503	4,063,658	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,639	4,581,640	54,979,669	-
Salaries - Part time, Temporary	1,071,132	C	FLAT	105,494	99,994	89,261	89,261	89,261	89,261	89,261	89,261	89,261	89,261	89,261	89,261	89,261	89,261	1,071,132	-
Pension - CalPERS	16,612,423	C	FLAT	1,164,471	1,098,488	1,384,369	1,384,369	1,384,368	1,384,369	1,384,369	1,384,368	1,384,369	1,384,368	1,384,369	1,384,369	1,384,368	1,384,368	16,612,423	-
Pension - Bonds	5,775,079	C, P	FLAT	395,000	1,271,000	481,257	481,257	481,256	481,257	481,257	481,256	481,257	481,257	481,256	481,257	481,256	481,256	5,775,079	-
Health, Dental, Vision - Employee	8,829,231	C	FLAT	665,639	674,671	735,769	735,769	735,769	735,769	735,770	735,769	735,769	735,769	735,770	735,769	735,769	735,770	8,829,231	-
Health - Retirees	9,180,636	C	FLAT	567,026	574,720	765,053	765,053	765,053	765,053	765,053	765,053	765,053	765,053	765,053	765,053	765,053	765,053	9,180,636	-
Workers Compensation	6,371,101	C	FLAT	450,284	441,896	530,925	530,925	530,925	530,925	530,925	530,925	530,925	530,925	530,925	530,925	530,925	530,926	6,371,101	-
Other Pay and Benefits	6,610,957	C	FLAT	465,255	476,304	550,913	550,913	550,913	550,913	550,913	550,913	550,913	550,913	550,913	550,913	550,913	550,914	6,610,957	-
Overtime & Standby/Callback	7,328,285	C	FLAT	727,143	717,726	610,690	610,690	610,691	610,690	610,690	610,691	610,690	610,690	610,691	610,690	610,691	610,691	7,328,285	-
Compensated Absences	4,481,324	C	FLAT	341,157	196,350	373,444	373,444	373,443	373,444	373,444	373,443	373,444	373,444	373,443	373,444	373,444	373,443	4,481,324	-
Salaries - Safety - Expiring Grants	2,430,483	C	FLAT	-	-	202,540	202,540	202,540	202,540	202,540	202,541	202,540	202,540	202,541	202,540	202,540	202,541	2,430,483	-
Budgeted Vacancy Savings	(975,618)	C	FLAT	-	-	(81,302)	(81,302)	(81,301)	(81,302)	(81,302)	(81,301)	(81,302)	(81,302)	(81,301)	(81,302)	(81,301)	(81,300)	(975,618)	-
Reimbursed Cost Transfer	(1,108,592)	C	FLAT	-	-	(92,383)	(92,383)	(92,382)	(92,383)	(92,383)	(92,382)	(92,383)	(92,383)	(92,382)	(92,383)	(92,383)	(92,382)	(1,108,592)	
Total Salaries and Benefits	121,586,110			9,008,972	9,614,807	10,132,175	10,132,175	10,132,175	10,132,175	10,132,176	10,132,176	10,132,175	10,132,174	10,132,178	10,132,175	10,132,175	10,132,181	121,586,110	-
																			-
Services and Supplies:																			
Internal Service - Equip	13,274,474	C	FLAT	1,034,374	1,034,374	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	1,106,206	13,274,474	-
General Liability Insurance	3,150,193	C	FLAT	184,039	178,624	262,516	262,516	262,516	262,516	262,516	262,516	262,516	262,516	262,516	262,516	262,516	262,516	3,150,193	-
Utilities	2,490,341	C	FLAT	173,495	206,951	207,528	207,528	207,528	207,528	207,528	207,528	207,528	207,528	207,528	207,528	207,528	207,528	2,490,341	-
Maintenance & Repair Services	2,622,895	C	FLAT	242,170	265,178	218,575	218,575	218,575	218,575	218,575	218,575	218,575	218,575	218,575	218,575	218,575	218,575	2,622,895	-
Labor/Legal Services	2,206,803	C	FLAT	871,104	613,787	183,900	183,900	183,900	183,900	183,900	183,900	183,900	183,900	183,900	183,900	183,900	183,900	2,206,803	-
General Expenses	7,130,289	C	FLAT	517,765	308,684	594,191	594,191	594,191	594,191	594,191	594,191	594,191	594,191	594,191	594,191	594,191	594,191	7,130,289	-
Tax Collection & Election	2,745,250	C	FLAT	1,442,804	218,533	228,771	228,771	228,771	228,771	228,771	228,771	228,771	228,771	228,771	228,771	228,771	228,771	2,745,250	-
Other Program Support:																			
Library, Recreation & Golf Funds	7,247,000	C	FLAT	536,250	536,248	603,917	603,917	603,917	603,917	603,917	603,917	603,917	603,917	603,917	603,917	603,917	603,917	7,247,000	-
Entertainment Venues Fund	2,152,000	C	FLAT	203,442	203,437	179,333	179,333	179,333	179,333	179,333	179,333	179,333	179,333	179,333	179,333	179,333	179,333	2,152,000	-
Other Program Support	3,100,000	C	FLAT	-	101,671	258,333	258,333	258,333	258,333	258,333	258,333	258,333	258,333	258,333	258,333	258,333	258,333	3,100,000	-
Redevelopment	1,631,748	C	FLAT	22,409	1,722,403	135,979	135,979	135,979	135,979	135,979	135,979	135,979	135,979	135,979	135,979	135,979	135,979	1,631,748	-

CITY OF STOCKTON
General Fund Cash Flow Projection
For the Period from May 1, 2012 through June 30, 2013

	2012 - 13 Budget	Notes	2012 - 13 Allocation Method	O Projected May 2012	L Projected June 2012 (Reverse 2/28 Reso)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD Total	
Debt - Bonds/Other:																			-
Jarvis Utilities Settlement	1,127,032	D	Annual	-	1,127,032	1,127,032	-	-	-	-	-	-	-	-	-	-	-	1,127,032	-
2009 LRB's - Pub Facil Bonds/CIP	631,541	H	Semi-Annual (March/Sept)	-	680,000	-	-	315,771	-	-	-	-	-	315,771	-	-	-	631,541	-
2004 LRB's - Parking (SEB)	836,528	H	Semi-Annual (Feb/Aug)	-	-	-	418,264	-	-	-	-	-	418,264	-	-	-	-	836,528	-
08AW - Debt - Marina	732,000	D	Annual (Aug)	-	732,000	4,000	688,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	732,000	-
2007 VROLRB - 400 E. Main	2,588,441	C, P	FLAT	-	565,000	215,703	215,703	215,703	215,703	215,703	215,703	215,703	215,703	215,703	215,703	215,703	215,703	2,588,441	-
Hotel - Principal/Interest	500,000	D	Annual (Sep)	-	9,375	9,375	9,375	500,000	-	-	-	-	-	-	-	-	-	518,750	18,750
Capital Outlay	-	C	FLAT	-	17,775	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt - Other/Admin	142,033	C	FLAT	20,833	20,837	11,836	11,836	11,836	11,836	11,836	11,836	11,836	11,836	11,836	11,836	11,836	11,836	142,033	-
Fiscal Stabilization:																			-
Deferred Maintenance Catch-Up	1,000,000	C	FLAT	-	-	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	83,333	1,000,000	-
Increased ISF Contribution - WC Insurance	750,000	C	FLAT	-	-	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	62,500	750,000	-
Work Schedule Modification	1,129,016	C	FLAT	-	-	94,085	94,085	94,085	94,085	94,085	94,085	94,085	94,085	94,085	94,085	94,085	94,085	1,129,016	-
Repay 2/28/12 Transfers	50,000	C	FLAT	-	-	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	4,167	50,000	-
Contingency	2,000,000	C	FLAT	-	-	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	166,667	2,000,000	-
																			-
Subtotal - Expenditures	180,823,694	K		14,257,657	18,156,716	15,890,122	15,865,354	15,569,486	14,753,715	14,753,716	14,753,716	14,753,715	15,171,978	15,069,489	14,753,715	14,753,715	14,753,721	180,842,444	18,750
Net Activity	$ (25,908,289)			5,142,612	766,773	(7,663,721)	(5,683,593)	(7,967,185)	(7,153,819)	(6,684,023)	19,339,325	(4,376,497)	(6,740,335)	(8,148,218)	9,387,654	(7,000,742)	6,764,117	(25,927,039)	
Ending Balance - Cash				$ 546,199	$ 1,312,972	$ (6,350,749)	$ (12,034,342)	$ (20,001,527)	$ (27,155,346)	$ (33,839,369)	$ (14,500,044)	$ (18,876,542)	$ (25,616,877)	$ (33,765,095)	$ (24,377,441)	$ (31,378,183)	$ (24,614,066)	$ (24,614,066)	

Footnotes:

A Beginning negative cash is the reconciled book cash balance as of April 30, 2012 for the General Fund, Payroll Clearing Fund, and the Pooled Investment Fund.
B Property tax and related receipts from the County are generally collected 50% in December, 50% in April.
C Normal operating revenues and expenditures are assumed at 1/12 of the annual buget projection for each month
D Certain revenues and expenditures are realized once per year and are projected to be recognized in the month realization is expected. Actual timing of the receipts may vary from the projection.
E Business licenses revenues are billed and received monthly. Projection is based on quarterly estimated historical % of total receipts and is assumed to be received at the beginning of the quarter. Actual timing of receipts may vary from the projection.
F Represent the Motor Vehicle In Lieu of Property Tax (Triple Flip) and is received from the County twice per year.
G Franchise Fee is collected by the State and remitted to the City quarterly.
H Debt service payments are made based on annual debt services schedule. Payments are presented above in month payment is due. Actual payment date may vary from the projection.
I County Code Enforcement is placed on tax roll is received from the County twice per year.
J Salaries are budgeted based on total FTE positions and is offset by the vacancy savings budget to reflect net cost of filled positions.
K Budgeted expenditures are $18,750 less than anticipated expenditures related to new lease for Thermal Imaging in Fire and budget amendment and interest payments on Hotel Note Payable.
L Projected June activity adds back the 2011-12 debt service payments that would have been made absent the February 28, 2012 Resolution.
M Sales tax is presented using an average sales tax collected by month as follows. Actual payments may vary from the projection due to sales tax audits and other factors.

Month	%
Jul	8%
Aug	9%
Sep	10%
Oct	7%
Nov	9%
Dec	9%
Jan	7%
Feb	9%
Mar	8%
Apr	6%
May	8%
Jun	9%

N Hotel/Motel tax is received quarterly with the majority of the receipts being received in the first month of the quartes and trailing off to 3rd month of the quarter. Forecast is based on estimated collections based on average of prior two years collections and generally follows an approximate pattern of receipt by quarter.
O May cash balance is projected as the accounting period has not been closed as of the date of the forecast. Amounts could differ depending upon the final period closing entries and normal reconciliation processes of the City.
P Level funding from the General Fund assumes planned available funding will approximate debt service. The budget deficit could cause funding to be inadequate.

Disclaimer Regarding Forecast and Projections: This General Fund Cash Flow Projection includes, forecast, projections, and other predictive statements that represent City management's best available assumptions and expectations in light of currently available information. These forecasts, etc. are based on industry trends, circumstances involving labor agreements and other factors, and they involve risks, variables, and uncertainties. The City's actual results may differ from those projected in this General Fund Cash Flow Projection. Consequently, no guarantee is presented or implied as to the complete accuracy of specific forecasts, projections, or predictive statements contained herein. All amounts are unaudited.

Exhibit D

2012-2013
PROPOSED ANNUAL BUDGET

City Council
Ann Johnston, Mayor

Katherine M. Miller, Vice Mayor
Paul Canepa, Councilmember
Susan T. Eggman, Councilmember
Elbert H. Holman, Councilmember
Diana Lowery, Councilmember
Dale Fritchen, Councilmember

Executive Team
Bob Deis, City Manager

Laurie K. Montes, Deputy City Manager
Mike Locke, Deputy City Manager
Eric Jones, Chief of Police
David L. Rudat, Interim Fire Chief
David Millican, Interim Chief Financial Officer
Robert K. Murdoch, Public Works Director
Vacant, Community Services Director
John Luebberke, City Attorney
F. Michael Taylor, City Auditor
Bonnie Paige, City Clerk
Teresia Haase, Human Resources Director
Mel Lytle, Municipal Utilities Director
Wendy Saunders, Economic Development Director
Vacant, Community Development Director

Budget Team

Larry Lisenbee, Interim Budget Officer
Edwin Gato, Program Manager II
Kathy Rooney, Budget Specialist
Kimberly K. Trammel, Program Manager II
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City of Stockton

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May 15, 2012

City Council
City of Stockton, California

BUDGET MESSAGE

With this memorandum I am transmitting to the City Council the Fiscal Year 2012-13 Proposed Budget. For many reasons, I am not pleased to transmit this budget. The real options that you have to balance next year's budget are unpleasant. The fact that I cannot offer you a specific budget balancing recommendation at this time is equally unpleasant. Finally, given the myriad of processes that our modestly staffed Finance Department is engaged in concurrently i.e. the annual independent audit, the State Controller's audit and the extremely complex and time intensive AB 506 (financial restructuring) process, the level of detailed review of the departmental budgets was less than last year. Our rigorous review will continue and may produce budget adjustments later.

Our financial situation should not be a surprise to anyone that has been following the City. In order to balance the last two budgets, the Council had to adopt two fiscal emergencies that required imposition of compensation concessions. While 7 of the 9 labor groups agreed to many of these concessions, the two largest labor groups did not and are litigating these impositions. The current year exposure if we lost these lawsuits amounts to $16.9 million of which $12.5 million is General Fund.

In my budget transmittal memo for last year I mentioned:

> "The City of Stockton is near insolvency. Reserves in the General Fund are exhausted, reserves in internal service funds are near depletion and the City has leveraged itself with inter-fund loans and debt that puts the General Fund at risk for backfilling deficits in other funds. Furthermore, the City is saddled with multi year labor contracts with escalating costs that simply cannot be paid within anticipated revenues in the foreseeable future."

We face another deficit next year that ranges from $26 million to $43 million. The deficit range is due to the lawsuit exposure and slightly less optimistic revenue projections. After extensive review of our finances over this last year some of our warnings from the last budget year have come to pass. The General Fund has had to backfill for the bad financial management decisions in the excerpt described above. We have stripped away all discretionary funds, suspended three debt payments and leave payouts for employees on February 28, 2012, all with the goal of maintaining solvency until June 30, 2012. This provided the time for the AB 506 process to play out. However, since I am required to submit a Proposed Budget by May 15th, I do so while certain budget balancing options have yet to take their course.

Budget Options

As you know, there are three basic options for balancing our budget before July 1, 2012. First, we can cut more staffing. After suffering the massive cuts of the past three years, I think this option truly puts the Stockton citizenry at risk. See Attachment A for service level impacts of further cuts (originally published with the 02/28/2012 Fiscal Condition Update Council Report). Second, we can achieve a negotiated financial restructuring via the AB 506 process that is in progress. Third, we can declare bankruptcy via a Chapter 9 filing and adopt a "Pendency" Plan. Since the AB 506 process is confidential per state law, and due to the Council preference of avoiding a Chapter 9 filing, the details for two of the balancing options are not available at this time. Some might argue there is a fourth option i.e. more compensation reductions. Given the major compensation reductions either negotiated or imposed in the past, we feel any further material reductions would cause a major hit to the already fragile organizational capacity. As you may recall, we plugged a $37 million dollar General Fund deficit for the current year with $25 million in compensation reductions and $12 million in staffing reductions. Materially more reductions in our compensation will bring us below the labor market average and increase employee turnover and harm our ability to recruit.

Budget Format

Due the reasons mentioned above, you will find that this document looks different than the Proposed Budget that would normally be issued at this time. As mentioned before, you will note that the document does not contain a recommended budget balancing recommendation for the General Fund, due to the fact that the City is still involved in the confidential AB 506 process that will hopefully shape the balancing strategy. Instead, for the General Fund, this document contains 1) our latest estimate for Baseline Budget revenues and expenditures, 2) a revised estimate for the gap or shortfall for the 2012-13 fiscal

year, 3) a discussion of the options the City has to close the gap, and 4) a description of the process and timing we expect to follow for the release of specific proposals recommended to be included in a balanced 2012-13 General Fund Adopted Budget.

The document contains proposed budgets in a Pro-Forma schedule format for all other City funds, with brief highlights of the history, current status and significant 2012-13 proposals and issues for each fund included. Included are the Capital Improvement funds that are described in much more detail in the Five Year Capital Improvement Program document (CIP) that will be released to the Planning Commission and City Council shortly. It does need to be noted that due to the time constraints we faced, the document does not contain all of the elements that a normal proposed budget should contain. For example, the departmental descriptions and performance plans are abbreviated, and a number of the financial schedules and appendices that would normally be included are not yet ready for publication. Note the demands of conflicting priorities has left very little time for staff to review the proposed budgets received from the departments compared to our normal process. You can expect that revisions to some budget detail may be forthcoming.

A summary of the Proposed Budget is provided in the table below:

City-wide Budget, All Funds	2011-12 Adopted	2012-13 Proposed	Difference
General Fund	$ 161,761,313	$ 154,915,405	$ (6,845,908)
Utilities	112,060,802	109,129,043	(2,931,759)
Capital/Street Maintenance	68,173,480	35,032,101	(33,141,379)
Redevelopment Agency	21,258,486	-	(21,258,486)
HUD/Housing Programs	23,788,431	12,257,221	(11,531,210)
Other Community Programs	61,781,622	58,967,392	(2,814,230)
Debt Service	25,875,051	27,261,545	1,386,494
Internal Services	128,759,617	124,283,540	(4,476,077)
	$ 603,458,802	$ 521,846,247	$ (81,612,555)

As can be seen, the proposed budget appropriations included in this document total $521 million and include operating, capital, debt, transfers, and internal service operations for all programs of the City. Pending a balancing plan, the amount listed for the General Fund is the amount of revenue available, as balancing the budget will require reducing expenditures to that level. Total appropriations proposed (with the $26 million budget gap omitted) represent a decrease of $82 million from the 2011-12 Adopted Budget.

The largest contributions to this decrease include: 1) Capital/Street Maintenance, 2) Redevelopment Agency, 3) HUD/Housing Programs.

General Fund

As the table below illustrates, General Fund expenditures total $180.8 million, which includes $2.9 million for three additions to the budget (described below) that are intended to begin to build back the financial strength of the City. Total revenues now projected, however are only $154.9 million. This results in a $26 million gap or shortfall that will need to be resolved prior to adopting the budget. Expenditures increased by seven percent over the 2011-12 Current Budget. This increase is primarily in the Police Department due to the addition of 20 Police Officer positions previously funded by the COPS Hiring Recovery Program Grant, hiring and recruitment costs, increase Workers Compensation and PERS rates, increased pension obligation bond costs, and elimination of the 2011-12 vacancy savings factor.

General Fund Budget	2011-12 Current Budget	2012-13 Proposed	Difference
Beginning Available Balance	$8,717,885	$0	$ (8,717,885)
Revenues	158,002,514	154,915,405	(3,087,109)
Expenditures			
Police	(83,306,025)	(93,023,477)	(9,717,452)
Fire	(40,447,868)	(40,529,586)	(81,718)
Other Programs	(42,966,506)	(44,341,615)	(1,375,109)
	(166,720,399)	(177,894,678)	(11,174,279)
Fiscal Stabilization Measures	-	(2,929,016)	(2,929,016)
	(166,720,399)	(180,823,694)	(14,103,295)
Ending Available Balance	$0	$ (25,908,289)	$ (25,908,289)

On February 28, as part of a staff report entitled "Fiscal Condition Update for Fiscal Years 2010-11, 2011-12, and 2012-13", staff provided a Four-Year General Fund Forecast. For the 2012-13 fiscal year a significant deficit was estimated. The shortfall estimate was provided in the form of a range for two cases, an "Optimistic" case and a "Pessimistic" case. The shortfall for the Optimistic case was projected to be $20.2 million; the shortfall for the pessimistic case was projected to be $38.2 million. Thus, for planning purposes, as staff refined projections for next year, we have referred to our shortfall estimates as a

range between $20 and $38 million. Staff has now, however, completed a thorough review of all of the revenue and expenditure line items in the Baseline Budget for the General Fund and have updated the General Fund forecast for next year.

The resulting updated 2012-13 General Fund Baseline Budget shortfall is $26 million. This is a change of $6 million from the Optimistic case estimate provided to Council in the February 28th comprehensive Fiscal Condition Update memorandum. As could be expected from a top down review of every revenue and expenditure line item there are changes from the February 28 forecast for Fiscal 2012-2013. The net of these revisions is justified because important budget elements put the City on a path to a healthy and sustainable future. The most significant changes, are detailed below:

1. Improvement in sales tax revenues of almost $1 million is reflected in the new forecasts. The opening of the Walmart Supercenter will increase sales taxes. Some of this will be offset by a reduction in sales at competing businesses in the City. Reports that gasoline prices have peaked and will begin dropping were taken into account in estimating revenues for next year. Fuel sales are a major component of the City's sales tax revenue.

2. Franchise taxes show continuing weakness, reducing estimates by $411,000 because of low rate increases by electric and gas suppliers and continued competition in telephony and telecommunication markets.

3. Code enforcement revenue was below estimates at midyear because of lack of staffing and conflicting priorities for the Police Department. Recent efforts have increased revenue which equates to a $250,000 increase to the forecast in 12-13. The earlier forecast and this budget also account for the likely discontinuation of code enforcement liens paid through the Teeter Plan.

4. Revenue from indirect cost, or the overhead charged to other funds has been reduced by $500,000. This is due to the loss of the Redevelopment Agency and revisions to cost plan methodology.

5. Temporary salary expenses are up by $465,000 because departments are using temps to fill vacancies on an interim basis to handle workloads reflecting the lack of organizational capacity.

6. Worker's compensation costs will increase by $743,000 as rates are adjusted to reflect the ongoing cost of this legal obligation.

7. Overtime use is expected to increase by $485,000 from the earlier forecast next year due to low staffing and increased incidence of Police and Fire overtime.

8. General expenses have increased by $1,016,000 to cover increased training, testing and recruiting costs for public safety positions and for professional services for system improvements, training programs and timely completion of projects like the annual audit.

9. Reductions and reorganizations savings have increased by $400,000 and consist mainly of Police service reimbursement contracts that will result in the transfer of nearly $800,000 of costs to the fund where those revenues are recorded.

10. Redevelopment debt has been reduced $1.5 million as a result of a one time conversion of bond proceeds to working capital eliminating the need to transfer General Fund resources in Fiscal 2012-2013. In Fiscal 2013-2014 the General Fund obligation grows to $1 million.

11. General Fund costs to cover a shortfall in Public Facilities Fee Fund debt service were reduced for one time only in the base budget to reflect the current practice of using fund balances to pay debt when fee revenues cannot cover the payments.

12. Increases in Other Program Support are primarily attributable to an increase of $1,000,000 to be transferred to the General Capital Improvements Fund to address the deterioration of the City's capital assets and infrastructure. The recent shutdown of the skating rink is just one example where lack of maintenance and repair could cause unplanned ceasing of a city project. The total transfer now proposed is $1,575,000. A transfer of $1,000,000 to support the reorganization and restructuring of Community Development Department has been added. These efforts will ensure that fees charged to citizens and developers do not subsidize activities that should be supported by the General Fund. This will reduce the likelihood of litigation.

13. Debt Other/Admin increased primarily to reflect an existing obligation to pay $500,000 on an unsecured promissory note for the purchase of the Main Hotel.

14. In addition to the changes in estimate and services described above the proposed budget also includes three recommended appropriations to begin to build back the financial strength of the City, putting it on the path to sustainability. These are:

    a. An additional $1,000,000 for maintenance projects to preserve infrastructure roads and capital assets parks, buildings, etc. At historical values the City's non-utility assets are valued at $800 million dollars and protecting the citizens' investment must be a top priority. The action taken on February 28, 2012 to balance the budget and avoid insolvency included canceling several capital projects and sweeping these unrestricted funds. These and other projects are necessary for maintaining the City's facilities.

    b. A $750,000 transfer to the City's Workers Compensation Fund to make a step toward funding an actuarial unfunded liability in excess of $40 million.

    c. Reduction of half of the current 96 furlough hours to efficiently increase hours available to get work done and to move toward a sustainable and competitive compensation level at a cost of $1.13 million. This would add as many productive hours for the General Fund as 40 trained employees at a total equivalent cost of less than $30,000 per employee. Furloughs were intended to be a temporary cost saving measure, not a permanent one.

To close this gap we have three options, none of which are desirable. The first option is what I would call an "all cuts" budget, where the shortfall would be closed through massive reductions to departmental budgets. The City Council has seen what these reductions would look like in the form of the 5%, 10%, and 15% reduction proposals submitted by departments earlier this year that were included as an attachment to the February 28 Fiscal Condition Update memorandum, and that are included again as an Attachment A to this Message.

The total amount of savings that were estimated in February to be achieved if all of these reductions were approved was $22.8 million at the 15% cut level. These proposals were calculated assuming a July 1 implementation of all reductions. These reductions would likely take place later in the fiscal year, due to lay off noticing and other transition requirements. As a result the savings that would be achieved with these reductions will fall short of $22.8 million.

Closing the revised shortfall of $26 million would require implementing all of these reductions and more. Since the Council has expressed no interest in going

here, I am not going to put the organization through the process of cutting an extra $3.2 million. A review of the reduction proposals indicates just how devastating they would be to the City. Already severely reduced public safety services, for example, would be hard hit, and other City services reduced to unacceptable levels. The "all cuts" budget balancing strategy would cripple and endanger the City and its citizens.

The second budget balancing strategy option is a set of negotiated proposals that could, and hopefully will, emerge from the in-progress AB 506 mediation process. The elements of such a strategy and cannot, due to the confidential nature of the process, be discussed at this time. The desired outcome of the mediation process, however, is an agreed upon restructuring of City expenditures that would allow for balancing the General Fund budget to minimize service impacts and to protect the community.

The third budget balancing strategy option, undesirable as it may be, is the implementation of a budget that would serve as the Pendency Plan to define spending during a Chapter 9 bankruptcy filing. This option would be a last resort, but should be used if the AB506 process fails to produce an agreement, and the Council decides that the "all cuts" reductions would threaten the health, safety and welfare of the Citizens.

Additional information regarding the General Fund balancing strategy will be provided to the Council sometime in June as the AB506 process plays out, and we determine what strategy should be used to balance the General Fund. The impacts of a budget built using either the outcome of the AB506 mediation process, or a bankruptcy filing would directly affect our costs owed to employees, creditors and our retirees and would impact budgets throughout the organization, affecting many if not most of the City's operations in this Proposed Budget. The issues subject to mediation, especially compensation and benefits, affect all departments. Revisions to those budgets where required would be brought forward to Council as amendments to the Proposed Budget and included in your final budget adoption before July 1st.

Other City Funds

As described above, included in the Proposed Budget are balanced pro forma schedules for all funds except the General Fund. In the body of the document, grouped by the departments that retain responsibilities for each fund, you will find a pro forma schedule for each fund that includes actual expenditures and revenues for the two prior fiscal years, a year-end estimate for the current fiscal year, and a proposed 2012-13 budget. Included also is a brief bulleted summary

of the history, current year issues and significant developments, and comments about significant elements of the 2012-13 budget being proposed. Highlights for each department fund group are described below:

Police

The Police Department is responsible for six funds: Asset Seizure, COPS State Block Grant, Special Revenue Grant, Police State COPS, Police Measure W and Police Special Revenue. Notable elements of the 2012-13 proposed budgets for these funds include the following:

- In the Asset Seizure Fund revenues continue to decline and the available funds will be used to fund safety equipment and supplies.
- The COPS fund will continue to pay salaries and benefits for six Community Service Officers.
- In the Special Revenue Grant Fund the Federal COPs Hiring Grant for 17 new entry-level Police Officers is budgeted to begin in 2012-13 when the Department has 344 filled sworn positions. This will bring the total authorized Police Officer count to 361. The 2011-12 year was the last year that the 20 officers hired under the Federal ARRA COPS Hiring Program were funded by the federal grant. The costs for these 20 officers must be picked up by the General Fund in 2012-13, and have been included in our Baseline Budget.
- The Police Measure W fund continues to pay the salaries, benefits, equipment and supplies for 21 Police Officer positions. Measure W sales tax proceeds are projected to grow by approximately 3.5% from the current year Adopted Budget level.
- In the Police Special Revenue Fund the Geraldine Schmidt Trust funds will continue to be held in reserve until a long-term plan is developed for the Animal Shelter Replacement project.

Fire

The Fire Department is responsible for two funds: Fire Measure W, and Fire Special Revenue. Notable elements of the 2012-13 proposed budgets for these funds include the following:

- The Fire Measure W fund continues to pay the salaries, benefits, equipment and supplies for 22 firefighter positions. Measure W sales tax proceeds are projected to grow by approximately 3.5%.from the current year Adopted Budget level.
- There are no issues or major changes in the Fire Special Revenue fund.

Community Services

The Community Services Department is responsible for three fund groups: Library, Recreation, and Golf. Notable elements of the 2012-13 proposed budgets for these funds include the following:

- The proposed 2012-13 budget for the Library Fund requires a General Fund subsidy of $4.1 million. This is consistent with the prior General Fund forecast. The proposed budget does not reflect any service reductions or enhancements.
- The proposed 2012-13 budget for the Recreation Fund requires a subsidy of $2.8 million. This is also consistent with the prior General Fund forecast. The Civic Center utility costs have decreased due the more efficient HVAC system installed in 2010. Civic Center Rentals have steadily increased since the 2011 re-opening. After School programs will increase by 18% and 300 new middle school youth will participate.
- The proposed 2012-13 budget for the Golf Fund requires a General Fund subsidy of $322,000, down from the $500,000 included in the current year budget. Revenues are projected to be up at the Swenson Course, which closes the gap between operating expenses and revenues to less than $100,000. The loss for the Van Buskirk Course however continues to be significant ($247,000). Kemper Sports Inc., the new Golf operator, has also submitted a zero subsidy budget. In order to operate with a zero subsidy the Van Buskirk course would need to be closed.

Community Development

The Community Development Department is responsible for one fund: the Development Services fund. Notable elements of the 2012-13 proposed budget for this fund includes the following:

- In the Community Development section of this fund a General Fund subsidy of $1.0 million is being proposed to be placed in the budget. We believe this is critical to avoid future litigation. There are many services and initiatives in this department that are more appropriately charged to the General Fund rather than recovered through development fees. The exact disposition of these funds will be determined following the Council review and direction for implementation of recommendations contained in a recent Management Partners review of development fees and program activities. Increases to restore a portion of the training funding cut in recent years, and to upgrade ten-year old Microsoft Office software for all staff is proposed.

- In the Fire Prevention section of the fund revenue projections for 2012-13 are based on the current fee structure. That fee structure is currently undergoing evaluation to determine whether they correctly align with program costs. Revenues fall short of fully covering costs by approximately $88,000. The difference will be covered by fund balance.

Public Works

The Public Works Department is responsible for seven funds: Street Maintenance Gas Tax, Boat Launching Facilities, Solid Waste and Recycling, Lighting Maintenance District, Assessment District Maintenance, and Measure K Maintenance. Notable elements of the 2012-13 proposed budgets for these funds include the following:

- In the Gas Tax fund funding is proposed to start a crack filling and street surface repair program starting in South Stockton. Funding is also included to start re-striping arterial and collector streets, to address deteriorated pavement markings that have not been maintained for several years, as well as to start replacing large overhead street name signs on arterials. Proposed expenditures will exceed revenue by almost $700,000. This will reduce the projected fund balance to $822,000.
- In the Solid Waste and Recycling Fund projected revenues reflect a 1% annual CPI adjustment for residential and commercial service. An increase in program expenses is proposed in order to provide funds for tree trimming related to street sweeping, consulting services to rework a data base and franchise agreement analysis, and translation services for printed outreach material.
- In the Street Lighting Assessment District Fund no reduction in services will occur next year in the four zones that did not adopt a new assessment as sufficient funds is available in the Gas Tax Fund to cover these costs in the short term. A longer term strategy for the four zones will be brought forward for Council consideration.
- In the Assessment District Maintenance Fund assessments for the 2012-13 fiscal year will not be increased. Existing assessments will be sufficient to provide a maintenance budget of $3.25 million.
- In the Measure K Maintenance Fund revenues are projected to increase by approximately 5%. Approximately $1.2 million is proposed to be transferred to the Measure K Capital Improvement Fund. The proposed transfer to the Gas Tax Fund is up by $1.9 million to fund additional electrical costs for street lighting and traffic signals and for maintenance costs for the Traffic Control System.

Economic Development

The Economic Development Department is responsible for 10 Housing funds, as well as the City Administration Building, Central Parking District, and Downtown Marina Complex funds. The department formerly oversaw the Redevelopment Agency funds prior to the dissolution of the Agency. The General Fund will be required to fund administrative and overhead costs for the Successor Agency, due to the fall-off in tax increment proceeds. Those costs, estimated at $1.6 million, are included in the General Fund revised Baseline Budget. The Successor Agency budget is not included in this document. Notable elements of the 2012-13 proposed budget for this department's funds include the following:

- Included in the Housing funds is the impact of an 18% decrease in the CDBG entitlement on top of last year's 17% decrease, and a 42% reduction in the HOME entitlement grant. This will result in reductions to the CDBG Housing Loan Pool, Sub-Recipient Assistance and the budget for CDBG and HOME Administration and Program Delivery. Homeless Prevention and Rapid Re-Housing (HPRP) grant funds run out by September 2012, and there is no renewal. CalHOME grant funding also expires in September 2012.
- The 2012-13 proposed budget reflects a reduction in revenue and expenses for 400 E. Main based on occupancy and reduced rental income. The anticipated revenue for next year is only slightly greater than the projected operational costs. Up to last year rents paid by city operations, including the General Fund, deferred debt payments and low variable interest rates let building revenues support capital costs, but the City's inability to move in and the departure of some large tenants would cause $2.6 million of the debt service payment to fall on the General Fund.
- The Central Parking District Fund proposed budget reflects the changes necessitated by the possession of the Market Street, Coy and Arena garages by Wells Fargo. No increases to monthly or hourly fees are planned for next fiscal year. Monthly rates will, however, be established for surface lots that presently do not offer monthly parking.
- The proposed 2012-13 budget for the Downtown Marina Complex will again require a subsidy from the General Fund in the amount of $732,000. The subsidy amount is unchanged from the current year level, and is included in the General Fund Baseline Budget estimate. Marina staff will increase marketing efforts to attempt to increase berthing and boat launching revenue.

Municipal Utilities Department

The Municipal Utilities Department is responsible for three fund groups: Water Enterprise, Wastewater Enterprise, and Stormwater Enterprise. Notable elements of the 2012-13 proposed budgets for these funds include the following:

- In the Water Enterprise Fund the final increase (10%) of a 4-year rate increase plan approved by Council in 2009 is reflected. The new Delta Water Supply Project treatment plant will begin its first full year of full operation. Reliance on water purchases and groundwater extraction is expected to be reduced. Water conservation efforts will continue to meet the State's mandate to reduce water use by 20% by the year 2020.
- In the Wastewater Fund a third year rate increase of 9%, part of an approved 5 year increase plan, is reflected. Construction of the Phase I projects identified in the Capital Improvement and Energy Management Plan will begin and be cash funded. Application for a new Wastewater NPDES permit will be necessary this year.
- As rates are capped in the Stormwater Fund, some required NPDES program elements have been reduced to stay within projected revenue levels. No funding is available for needed infrastructure repairs. The 2012-13 proposed budget for this fund is balanced, but without a rate increase, there is General Fund exposure for this fund in future years if NPDES requirements are to be met.

City Manager/Administrative Services

The City Manager's Office, in addition to be responsible for the entire City budget, monitors and manages one fund, the Entertainment Venues Fund: The Administrative Services Department oversees the San Joaquin Area Flood Control Agency (SJAFCA) fund. Notable elements of the 2012-13 proposed budget for these funds include the following:

- The 2012-13 General Fund subsidy requirement for the Entertainment Venues Fund is estimated at $2,152,000. This is down about $289,000 from the current year level. This reflects the improved performance under the SMG management structure. There is however, no funding allocated for the approximately $800,000 in outstanding and urgent repairs and maintenance needs of the four venues.

Internal Service Funds

There are 13 Internal Service Funds: Five of the funds are overseen by the Administrative Services Department (Information Technology, Radio, Telecommunications, Equipment and Document Services) Seven Internal Services Funds are overseen by the Human Resources Department (General Liability Insurance Claims, Workers Compensation and Benefits, Employee/Retiree Health Benefits, Unemployment, Long-Term Disability, Pension Benefits and Compensated Absences). One (Fleet) is managed by the Public Works Department. Notable elements of the 2012-13 proposed budget for this fund include the following:

- For Fleet the 2012-13 proposed budget includes a replacement schedule which over a four-year period, would reduce the current estimated replacement backlog of $8.5 million (172 vehicles past their useful life) to $5.5 million. The budget also reflects approximately $1.0 million in savings that are being achieved by leasing rather purchasing fire apparatus. Proposed O&M expenditures are increased by approximately $540,000 over current levels, reflecting primarily a $400,000 increase in fuel purchases. The budget also proposes setting aside $500,000 for the replacement of the Computerized Maintenance Management System Fleet Module and the Fuel Management System.
- The Information Technology proposed budget includes approximately $3.2 million to be set aside for implementing a number of new technology projects included in a recently developed IT Strategic Plan. This Plan will come before the City Council very soon.
- In the Risk Services and Workers Compensation Funds proposed budget, insurance rates charged to the departments have been raised to reflect the higher cost of insurance coverage. I should mention, we still are carrying huge fund balance deficits in the Liability and Workers Compensation Funds because past administrations did not budget adequate contributions of the General Fund and other Funds to finance accrued liabilities.
- In the Health Benefits Fund a new Pharmacy Benefit Manager (CVS/Caremark) will be providing management services for the City's self- funded medical plan. This is estimated to result in overall savings of at least $300,000. During the next fiscal year, the City will be implementing a change in the contract with its Preferred Provider Organization (PPO), Anthem, for larger discounts on medical services. The City expects to achieve net savings of at least $2.0 million from this change.

Upcoming Schedule

The current schedule, which is still being formulated, calls for the City Council to conduct two budget study sessions during the month of June and the adoption of the final budget document on June 26, 2012.

Finally, I wish to thank the department heads and their staffs, and the staff of the Administrative Services Department and the Budget Office for the extraordinary effort that it took to pull together this document in a highly condensed time line. This is a budget process being conducted under unprecedented conditions which puts intense pressure on everyone involved. The work that went into this brief but informative document is much appreciated.

Stockton City Council Workplan

While we are clearly in a rough patch in Stockton's history, it is important for the reader of this document to recognize that this City Council did not create this financial crisis, it inherited it. Moreover, the Council "has their eye on the ball" and unlike the state and federal government, you have a comprehensive plan for moving Stockton forward. The City Council adopted four goals to focus the organization: 1) getting our fiscal house in order, 2) increasing public safety, 3) increasing economic development and 4) increasing organizational capacity. As presented most recently at the Council Study Session held on May 1, 2012, the Council continues to pursue these aggressive goals with 38 Strategic Initiatives, that includes not only getting our fiscal house in order, but concurrently we are working towards improving the climate for economic investment along with an omnibus plan to turn the tide on an unacceptable crime rate that has plagued Stockton for multiple generations.

The future will be bright, but the transition will be difficult. When given accurate information you have made the difficult decisions that other governmental agencies refuse to make. Unlike others, you have not "buried your head in the sand" hoping things would go away. I am proud to work for this City Council.

Respectfully submitted,

BOB DEIS
CITY MANAGER

ATTACHMENT A

2/8/2012

General Fund
Department Reduction Summary
2012-2013

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Programs										
Police										
Eliminate all Community Service Officer positions. Reduce revenue from $1.2 mil to $600,000. Net reduction is $2,012,133	All current CSO and Sr. CSO activities would be reassigned to Police Officers. VIPS being considered for parking tickets.	2,012,133	2,012,133	2,012,133	30		30		30	
Reduce the number of Police Records staffing for filled and vacant civilian positions	This overall reduction in the Records Division would increase the amount of time related to all functions of the Records Division. This would include access to documented reports and provision of reports to the public and government agencies, including the Court system.	220,573	220,573	220,573	3		3		3	
Reduced staffing in the Telecommunications Division. 3 Telecommunications Specialist	Decrease level of Telecommunications support for Police Dispatch. Longer wait for 911 calls.	296,402	296,402	296,402	3		3		3	
Reduced civilian support staffing in the Traffic Division	Clerical duties would be assigned to Police Officers as time permits. This would greatly reduce the level of customer service related to towed vehicles and citation disputes.	167,483	167,483	167,483	2		2		2	
Eliminate Investigations Division Police Records Assistant	Case work for CSO's & PRA would be absorbed by Police Officers.	75,216	75,216	75,216	1		1		1	
Eliminate Special Investigations Records Assistant vacancy	Nominal effect on current Special Investigations operations	74,544	74,544	74,544	1		1		1	
Reduce staffing in Animal Services & Animal Control	Reduced hours at Shelter and reduced coverage for animal control	371,077	371,077	371,077	5		5		5	
Eliminate Graffiti Abatement Program salary and costs	Dramatic increase in graffiti throughout Stockton	577,190	577,190	577,190	5		5		5	
Sworn salary savings		448,484	448,484	448,484						

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Police (Continued)										
Eliminate 9 Police Officers, 2 Sergeant's and 1 Lieutenant from the Traffic Division	No separate Traffic Section. Only 8 Police Motor Officers assigned to regular Patrol shifts to handle essential traffic support and manage fatal traffic accidents		1,519,573	1,519,573			12		12	
Eliminate 18 Special Investigation Section (SIS) Police Officer Positions, 2 SIS Sergeant's & 1 SIS Lieutenant. Transfer remaining 2Sergeant's and 6 Police Officer Investigators into the Investigations Section. Restructure Investigations Section.	Remaining 2 GSET Sgts reassigned; only 6 Police Officers remain in Special Investigations. Either GSET or Task Force operations eliminated		2,825,022	2,825,022			21		21	
Decline the 17 positions funded by the 2011 COPS CHP Grant	Few Police Officers to handle calls for service.		100,000	100,000						
Eliminate 26 Police Officer Positions, 4 Sergeants & 1 Lieutenants from Patrol duties. Restructure entire Patrol and Investigative Operations	Reduction in staff available to respond to 911 calls.			4,141,608					31	
	Sub Total	**4,243,102**	**8,687,697**	**12,829,305**	**50**		**83**		**114**	
Fire										
Close Engine No. 11	Increased response time	1,500,697	1,500,697	1,500,697	9		9		9	
Reduce Truck No. 3 by 1 Fire Fighter (1 for each shift = 3)	Increased fire loss, reduced staff safety, increased incident loss, morbidity and mortality	450,445	450,445	450,445	3		3		3	
Fire District Contracts - Revenue reduction estimate		(397,873)	(586,984)	(776,095)						
Reduce Truck No. 2 by 1 Fire Fighter (1 for each shift = 3)	Increased fire loss, reduced staff safety, increased incident loss, morbidity and mortality	450,445	450,445	450,445	3		3		3	
Close Engine No. 6	Increased response time		1,500,697	1,500,697			9		9	
Reduce Truck No. 7 by 1 Fire Fighter (1 for each shift = 3)	Reduced staff safety		450,445	450,445			3		3	

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Fire (Continued)										
Reduce Truck No. 7 by 1 Fire Fighter (1 for each shift = 1)	Increased fire loss, reduced staff safety, increased incident loss, morbidity and mortality		150,148	150,148			1		1	
Savings from other expenditures			65,390	65,390						
Close Engine No. 14	Increased response time			1,500,697					9	
Close Truck No. 3	Increased fire loss and reduce staff safety			1,500,697					9	
Keep 1 Fire Fighter in Truck No. 2 (Reduce by 1 shift)	Increased incident loss and increased morbidity and mortality			(150,148)					-1	
Keep 4 Fire Fighters in Truck No. 7				(665,983)					-4	
	Sub Total	**2,003,714**	**3,981,284**	**5,977,435**	**15**		**28**		**41**	
Public Works										
Reduce contract budget for Trees	Reduced ability to respond to emergencies	100,000	100,000	100,000						
Reduce contract budget for Parks	Delayed repairs to playgrounds and irrigation systems	135,000	135,000	135,000						
Reduce contract budget for HVAC	Probable service delays as more work shifted to staff	60,000	60,000	60,000						
Shift portion of Street Trees non-payroll costs to Gas Tax	Less Gas Tax for Street maintenance	60,000	60,000	60,000						
Shift portion of Pixie Woods maintenance to Pixie Woods Board	Depends on ability of Board to make alternative arrangements		110,000	110,000			1		1	
Eliminate vacant but funded Parks Inspector	Maintains reduced Parks oversight		100,000	100,000			1		1	
Shift additional Street Trees non-payroll costs to Gas Tax for total shift equaling 50%	Less Gas Tax for Street maintenance		65,000	65,000						
Shift Facilities Electrician to Streets and Gas Tax	Probable delays for Facilities electrical issues; improved Traffic electrical		85,000	85,000						
Reduce Parks maintenance to minimum levels	Higher grass and more trash			185,000						
Reduce Parks water usage by 50%	Brown grass and stressed landscaping			165,000						
	Sub Total	**355,000**	**715,000**	**1,065,000**			**2**		**2**	

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Economic Development										
Elimination of Deputy Economic Development Director position and redistribution of staff allocations.	Reduced resources for business outreach, attraction, and retention	24,260	48,520	72,780	1		1		1	
	Sub Total	**24,260**	**48,520**	**72,780**	**1**		**1**		**1**	
Peacekeeper										
Eliminate Phones budget	Staff will not have City Hall numbers; will use cell phones	8,596	8,596	8,596						
Reduce Consultant budget	Reduce services for clients: tattoo removal, conflict management, counseling classes	622								
Eliminate Printing budget	No outreach materials for community fairs, etc.	2,000	2,000	1,657						
Eliminate Travel budget	No training and travel for award programs or training staff	1,200	2,000							
Eliminate Training budget	No training and travel for award programs or training staff	2,000	1,200							
Eliminate Equipment budget	No purchase of radios, scanners, etc	1,000	1,000							
Eliminate Supplies budget	No purchases for the fiscal year	1,000	1,000							
Reduce Full Time Position to Part Time	Reduce current caseload by 200; turn away additional 200 referrals		14,000				1		1	
Reduce Pooled Vehicle budget	Reduce car rental for field trips- fewer field trips		1,000							
Reduce Fuel budget	Reduce fuel budget to match reduction of YOW hours in car (from full time to part time)		2,039							
Eliminate one Youth Outreach Worker Position	Reduce the current caseload by 400, turn away an additional 400 referrals			39,000					1	
	Sub Total	**16,418**	**32,835**	**49,253**			**1**		**2**	
Arts Commission										
Supplies reduced		1,837	3,674	5,511						
	Sub Total	**1,837**	**3,674**	**5,511**						

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Programs Support for Other Funds										
Community Services - Library										
Hold Librarian II Vacant	Delays completion of project to transition to 100% "shelf-ready" new materials, No donations/local history added to catalog and eliminates 5 hours per week of public service desk support lost	53,934	53,934	53,934	1		1		1	
Eliminate Library Asst II (PPJ)	20% of Chavez Library Reference Desk staffing lost (Chavez averages 48,000 reference interactions per year), Longer customer wait times for reference service, Collection maintenance work delayed – customers may not find desired materials on the shelves	85,228	85,228	85,228	1		1		1	
Parity of all late fees		47,000	47,000	47,000						
Reduce PT staff funding by 21%	Less PT and FT staff leads to longer lines at customer service desks, reduced capacity to fill leave time/vacancies, and less skilled tasks performed by higher-paid employees	11,000	11,000	11,000		1		1		1
Reduce Tech Services Supplies by 30%	Reduced capacity to recover books with damaged covers and to replace damaged media cases (audiobooks/music, DVDs) so that serviceable materials can still circulate and virtually eliminates capacity to accept not-shelf-ready donations from customers	4,000	4,000	4,000						

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Community Services - Library (Continued)										
Eliminate Librarian I (PS)	25% of Chavez Library Reference Desk staffing lost beyond that lost at 5% reduction target (total 45% lost), troke Library Reference Desk staffing reduced by 25% and Significantly increased customer wait times at both Chavez and Troke libraries		93,736	93,736			1		1	
Eliminate Librarian I (AC)			98,054	98,054			1		1	
Reduce City branch landscaping by 50%			10,000	10,000						
Eliminate Circulation Asst (LT)	Eliminate Library Assistant from Chavez Library and necessitates operating hours reduction of 31% (from 36 to 25 hours weekly maintains 5-day/week service)			62,812					1	
Eliminate Library Aide (SN)	Eliminate Circulation Assistant and Library Aide from Troke Library. Necessitates operating hours reduction of 31% (from 36 to 25 hours weekly maintains 5-day/week service)			61,771					1	
Eliminate Library Asst II (KBT)	Less skilled tasks performed by higher-paid employees			76,934					1	
	Sub Total	**201,162**	**402,952**	**604,469**	**2**	**1**	**4**	**1**	**7**	**1**

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Community Services - Recreation										
Fewer Civic supplies/repairs & maintenance after remodel	No impacts	20,000	20,000	20,000						
Reduce utilities in Civic Auditorium	No impacts	10,000	10,000	10,000						
Reduce gas utility	Efficiency from upgrade and no impact	80,000	80,000	80,000						
Reduce PT Comm Ctrs & Sports	Contracted field maintenance and no decrease in service	20,000	20,000	20,000		3		3		
Sr AA to PM savings	No impacts	11,500	11,500	11,500						
Rec Asst II separation not filled	Transactions performed by higher paid staff, less time for contract monitoring, program mgmt/development, slightly slower customer service at centers		79,005	79,005			1		1	
Rec Asst II remains vacant			79,146	79,146			1		1	
Layoff Office Asst II	Admin transactions, scheduling performed by higher paid staff, less time for committees, commission participation and support. Full time staff will assist in after school program, no impacts to after school, but other community center customers may incur slower service			61,708					1	
Recreation staff pick up Public Art duties of lay off OA funded by Public Art Fund				11,287						
After school program reduction				48,443						5
	Sub Total	**141,500**	**299,651**	**421,089**		**3**	**2**	**3**	**3**	**5**

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Entertainment Venues										
Reduction of maintenance, repairs, and supplies	Barebones maintenance, repair, contracted services budget. Deferred maintenance issues may create risks to facilities	122,065								
Reduction of maintenance, repairs, and supplies; and reduction of any further line items	Barebones maintenance, repair, contracted services budget. Deferred maintenance issues may create risks to facilities. Deferral of critical maintenance items may create risks. Staff will need to meet and confer with SMG to determine if facilities can safely operate with lower budget.		244,130							
Closure of Baseball Stadium	Further reduction will create risk. Staff will need to meet and confer with SMG. It is estimated that this level or above in service reductions will require the Baseball Stadium closure. Stadium generate lowest level of revenue of all four facilities.			366,195						
	Sub Total	**122,065**	**244,130**	**366,195**						

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Administration										
Non-Departmental, City Manager and City Council	Inability to launch Social Media efforts. Significant impacts to Website, Ask Stockton, and media relations support. Severe impacts to the ability to be responsive to Public Disclosure Requests. Impacts the already strained ability to support City Executives.	131,045	131,045	131,045	2		2		2	
	Inability to broadcast Council Meetings on Channel 97. Severe impacts to Channel 97 programming and maintenance. Severe impacts to media relations and community access to City business.		131,045	131,045			2		2	
	Reduce citizen support, public outreach, and strategic planning.			131,045					1	
	Sub Total	**131,045**	**262,090**	**393,135**	**2**		**4**	**-**	**5**	**-**
Administrative Services										
Reduce 3 Administrative Services Positions	Reduce administrative support to the City wide programs and increase risks to the accounting and financial activities	160,081	160,081	160,081	3		3		3	
Reduce 3 Administrative Support Positions	Reduce administrative support to the City wide programs. Increase risks to the accounting and financial activities, delay in accounting transactions' reconciliation, and delay in payroll and disbursement processing		160,081	160,081			3		3	

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Administration (Continued)										
Reduce 3 Administrative Support Positions	Reduce administrative support to the City wide programs. Increase risks to the accounting and financial activities, delay in accounting transactions' reconciliation, and delay in payroll and disbursement processing			160,081					3	
	Sub Total	**160,081**	**320,162**	**480,243**	**3**		**6**	**-**	**9**	**-**
Human Resources										
Reduction in Training Budget	Eliminate a portion of City-Wide training program which provides the courses for the various certificate programs. The City has class specs requiring these various certifications, there would be meet and confer obligations over elimination/suspension of the programs and corresponding job requirements. Contrary to Council strategic initiative on increasing organizational capacity.	63,617								
Reduction in Training Budget	Eliminate an additional amount of funding for City-Wide training program which provides the courses for the various certificate programs. The City has class specs requiring these various certifications, there would be meet and confer obligations over elimination/suspension of the programs and corresponding job requirements. Contrary to Council strategic initiative on increasing organizational capacity.		38,452							

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Administration (Continued)										
Eliminate HR Specialist	Eliminate last remaining support personnel to Civil Service Commission and the City's Air Quality liaison. The majority of CSC agenda preparation and other support activities would fall to analyst staff, significantly reducing their capacity to perform analytical level work.		88,781				1		1	
Reduction in Training Budget	Eliminate the remaining funding for City-Wide training program which provides the courses for the various certificate programs. The City has class specs requiring these various certifications, there would be meet and confer obligations over elimination/suspension of the programs and corresponding job requirements. This would also eliminate all training for HR staff, significantly impairing ability to develop employee/labor relations expertise in house. Contrary to multiple City Council strategic initiatives.			80,000						
Eliminate HR Specialist	Eliminate last remaining support personnel to Civil Service Commission and the City's Air Quality liaison. The majority of CSC agenda preparation and other support activities would fall to analyst staff, significantly reducing their capacity to perform analytical level work.			88,781			1		1	

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Administration (Continued)										
Eliminate HR Assistant II	Eliminate all reception and mail services. Potential reduction in hours lobby would be open to public. Reduces customer service, incoming calls would potentially receive voicemail. Mail services and other low level clerical tasks would be reassigned to remaining higher level employees, thereby reducing efficiency.			22,679					1	
	Sub Total	**63,617**	**127,233**	**191,460**			**2**		**3**	
City Clerk										
Eliminate Office Specialist Position	Statement of Economic Interest tracking; Tracking of Ethics Training; Document Research; Customer Service; meeting support; bid openings; Agenda prep & distribution; staff training & development; filing; records mgmt.	88,281	85,633	85,633	1		1		1	
Reclass Supervising Deputy City Clerk to Senior Deputy City Clerk		7,000								
Reduce Senior Deputy City Clerk to 3/4 hrs.	High possibility of non-compliance with State mandates re: Legal Noticing, Public Hearings, Boards & Commissions recruitment and roster maintenance eliminated/meeting support, i.e. preparation of meeting record, filing of documents, meeting action followup decreased by 45%/processing of official documents (mandated), i.e. recordation of documents will be missed			23,593						
	Sub Total	**95,281**	**85,633**	**109,226**	**1**		**1**		**1**	

Service Reductions	Service Level Impacts	Savings @5%	Savings @10%	Savings @15%	FTE's Eliminate @5%	Part-time Eliminate @5%	FTE's Eliminate @10%	Part-time Eliminate @10%	FTE's Eliminate @15%	Part-time Eliminate @15%
Administration (Continued)										
City Attorney										
Loss of one advisory attorney	Serious delay in delivery of advisory advice/projects due to lack of staff and increased cost for consultation with outside counsel.	45,656	91,312	136,967	1		1		1	
	Sub Total	**45,656**	**91,312**	**136,967**	**1**		**1**		**1**	
City Auditor										
Vacancy Savings (3/4 position - 1 FTE)		20,290	20,290	20,290						
Reduce staff by 1 full time position			64,800	64,800	1		1		1	
Increase Contractual Services			(24,220)	(24,220)						
Vacancy savings reversed			(20,290)	(20,290)						
Reduce Contractual Services				20,290						
	Sub Total	**20,290**	**40,580**	**60,870**	**1**		**1**		**1**	
	Grand Total	**7,625,028**	**15,342,753**	**22,762,938**	**76**	**4**	**136**	**4**	**190**	**6**

TAB

Citywide Budget

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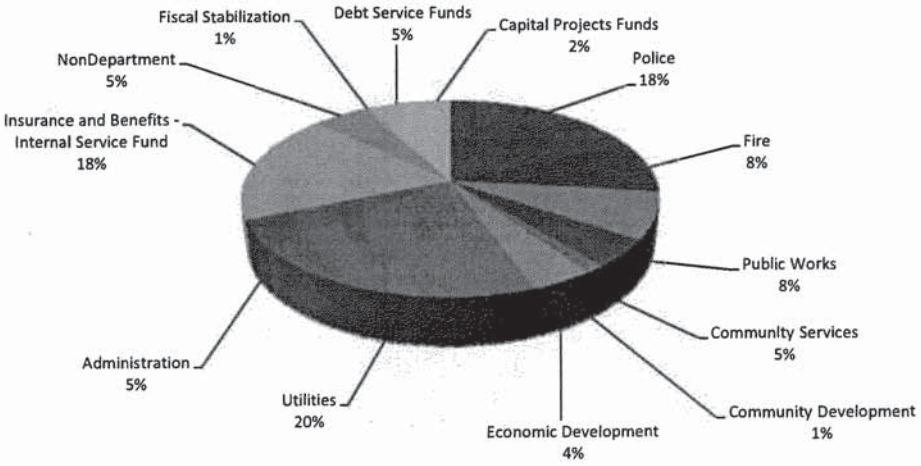
City of Stockton
Citywide Budget
2012-13 Baseline and Proposed Budget

Baseline	**$547,754,536**
Proposed	**$521,846,247**

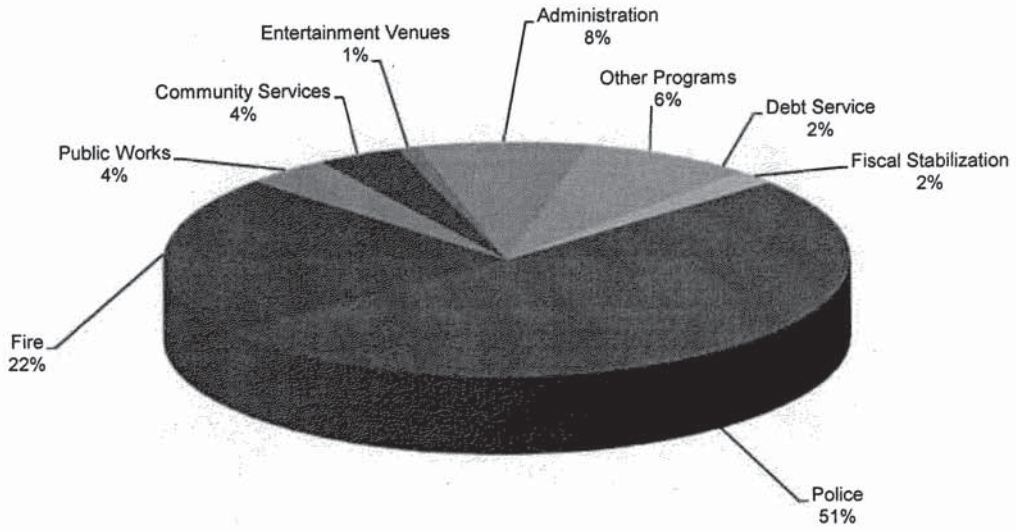


	Operating Budget	Debt Service Budget	Capital Budget	Total	
Program Appropriations					
Police	$ 101,320,283			$ 101,320,283	18%
Fire	46,333,121			46,333,121	8%
Public Works	36,972,482	$ 1,365,771	$ 3,404,760	41,743,013	8%
Community Services	24,997,758		-	24,997,758	5%
Community Development	6,947,489			6,947,489	1%
Economic Development	20,040,115	2,207,670		22,247,785	4%
Utilities	70,914,582	27,473,909	10,740,552	109,129,043	20%
Administration	20,249,138	325,000	4,083,672	24,657,810	5%
Insurance and Benefits - Internal	92,022,544	7,712,550		99,735,094	18%
NonDepartmental Funds					
NonDepartment	26,911,808			26,911,808	5%
Fiscal Stabilization	1,929,016		1,000,000	2,929,016	1%
Debt Service Funds		27,261,545		27,261,545	5%
Capital Projects Funds	117,257	248,781	13,174,733	13,540,771	2%
	$ 448,755,593	$ 66,595,226	$ 32,403,717	$ 547,754,536	100%
				-	
Pending Balancing Plan				(25,908,289)	
				$ 521,846,247	
Net Budget					
Internal Service Charges				$ (124,283,540)	
Interfund Transfers				(29,407,257)	
				$ 368,155,450	

(a) The Proposed Citywide Budget depicts the full City baseline budget before implementation of any balancing measures in the General Fund. It also includes $2.9 million in Fiscal Stabilization measures for capital, internal service fund reserves and phasing out employee furloughs.

STOCKTON
INCORPORATED JULY 19 1849

General Fund Budget
2012-13 Baseline Budget



Baseline

Program Appropriations

Police	$ 93,023,477	51%
Fire	40,529,586	22%
Public Works	7,369,140	4%
Community Services	7,284,687	4%
Entertainment Venues	2,152,000	1%
Administration	14,108,590	8%
Other Programs	10,690,065	6%
Debt Service	2,737,133	2%
Fiscal Stabilization	2,929,016	2%
	180,823,694	
Pending Balancing Plan	(25,908,289)	
	$ 154,915,405	

(a) The chart above reflects the 2012-13 General Fund Baseline Budget with Fiscal Stabilization measures and before budget balancing plan.

STOCKTON
1849

TAB

Organization Chart

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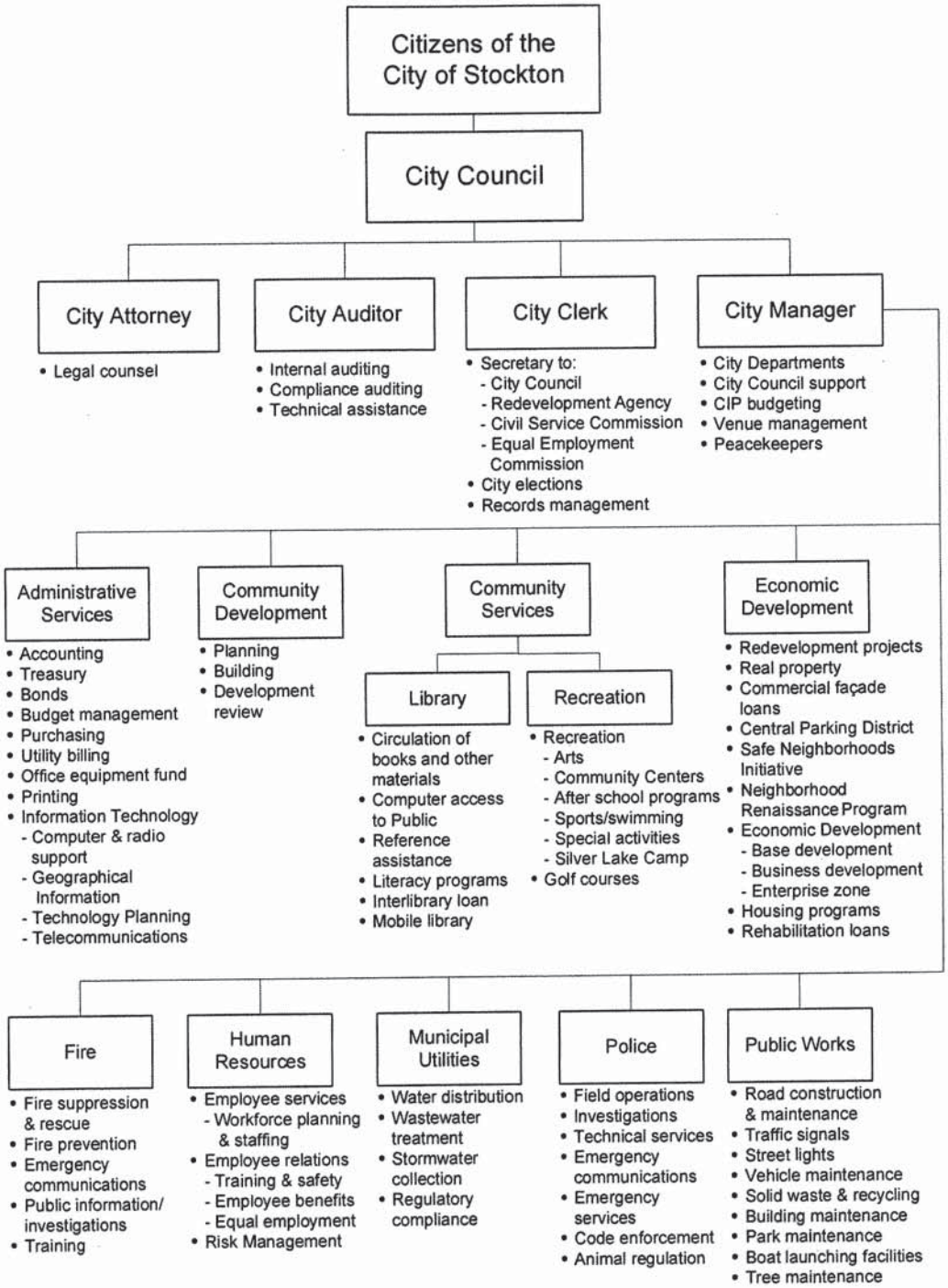
CITY OF STOCKTON ORGANIZATION CHART



PERSONNEL BY FUND
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted With Labor Concessions / Reductions	Staffing Modifications	FY 2012-13 Proposed With Labor Concessions / Reductions
General Fund and Tax-Supported Programs						
Programs						
Police-Sworn	401	322	320	324	17	341
Police-Non Sworn	235	214	202	188	(1)	187
Fire	253	265	226	177	(1)	176
Public Works	163	78	59	62	(6)	56
Library	105	69	57	57	1	58
Recreation	46	32	27	26	(1)	25
Economic Development	5	1	2	2	4	6
	1,208	**981**	**893**	**836**	**13**	**849**
Adminstration						
City Council	9	8	8	8	0	8
City Manager	18	13	11	10	0	10
City Attorney	17	14	13	11	0	11
City Clerk	8	6	5	6	0	6
City Auditor	7	4	4	4	0	4
Admin Services	63	49	57	59	0	59
Human Resources	20	18	15	14	1	15
Non Departmental	10	10	10	10	0	10
	152	**122**	**123**	**122**	**1**	**123**
Total General Fund	**1,360**	**1,103**	**1,016**	**958**	**14**	**972**
% Change vs. 2008-09			-25%	-30%		-29%
Enterprise Funds						
Golf Course	3	2	2	2	(2)	0
Municipal Utilities	168	187	197	198	10	208
	171	**189**	**199**	**200**	**8**	**208**
Special Revenue/District Funds						
Central Parking District	3	3	3	3	0	3
Community Development Block Grant	13	12	11	9	(2)	7
Development Services	98	53	50	42	(6)	36
Emergency Communications	17	0	0	0	0	0
Maintenance District	1	2	4	2	0	2
Redevelopment	24	20	10	6	(4)	2
Safe Neighborhood Measure W	68	45	41	41	2	43
Solid Waste & Recycling	6	9	9	9	0	9
Street Maintenance/ Gas Tax Fund	24	65	66	64	7	71
	254	**209**	**194**	**176**	**(3)**	**173**
Internal Service Funds						
Fleet	31	26	27	27	0	27
General Liability Insurance	3	3	4	6	(1)	5
Workers' Compensation	4	4	4	3	(2)	1
Health Benefits	3	4	4	5	1	6
Information Technology	52	40	39	36	0	36
Radio	2	2	2	2	0	2
Telecommunications	1	1	1	1	0	1
Document Services	4	3	3	2	0	2
	100	**83**	**84**	**82**	**(2)**	**80**
Capital Improvement Funds						
Public Art	1	0	0	0		0
	1	**0**	**0**	**0**	**0**	**0**
Total All Funds	**1,886**	**1,584**	**1,493**	**1,416**	**17**	**1,433**
% Change vs. 2008-09			-21%	-25%		-24%

TAB

General Fund Summary

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General Fund - 010
2012-13 Proposed Budget Summary

	FY 2009-2010 Actual	FY 2010-2011 Unaudited Actual	FY 2011-2012 Current Budget	FY 2012-13 Baseline	FY 2012-13 Proposed
Beginning Balance	$ 8,607,000	$ (2,694,401) (a)	$ 8,717,885	$ -	$ -
Revenues	166,907,289	186,944,693	158,002,514	154,915,405	154,915,405
	166,907,289	**186,944,693**	**158,002,514**	**154,915,405**	**154,915,405**
	-	-	-	-	
Expenditures					
Employee Services	126,662,253	125,427,170	113,305,518	121,519,717	121,519,717
Other Services	23,453,256	25,159,702	32,453,162	29,892,900	29,892,900
Materials & Supplies	2,410,045	2,575,751	2,504,519	2,744,485	2,744,485
Other Expenses	5,913,318	1,193,236	1,226,433	3,857,753	3,857,753
Capital Outlay	3,800	21,698	-	4,000	4,000
Loan Repayment	777,164	2,152,648	3,013,468		-
Transfer Out	14,419,033	19,630,538	14,217,299	19,875,823	19,875,823
Pending Balancing Plan					(22,979,273)
	173,638,869	**176,160,743**	**166,720,399**	**177,894,678**	**154,915,405**
	-	-	-		-
Reserves					
Change in Fund Balance restrictions	(774,420)	628,336			
	(774,420)	**628,336**	-	-	-
Net Annual Activity	**(7,506,000)**	**11,412,286**	**(8,717,885)**	**(22,979,273)**	-
Ending Balance	**$ 1,101,000**	**$ 8,717,885**	**$ 0**	**$ (22,979,273)**	**$ -**
Fiscal Stabilization Measures				**2,929,016**	
Ending Deficit Balance				**$ (25,908,289)**	

(a) FY 2010-11 is presented with the Unaudited Actual. Current revenue projections indicate that the General Fund is at risk. The City Council authorized interfund transfers on 2/28/12 to establish a positive ending balance at June 30, 2011 and balance the FY 2011-12 Budget. The General Fund continues to be at risk in FY 2011-12 Accordingly, no beginning balance has been projected for FY 2011-12.

General Fund - 010
2012-13 Proposed Revenues

	FY 2009-2010 Actual	FY 2010-2011 Unaudited Actual	FY 2011-2012 Current Budget	FY 2012-13 Baseline
General Tax Revenues				
Property Taxes				
Property Taxes	$ 29,169,700	$ 28,318,428	$ 26,848,000	$ 25,386,000
In-Lieu of Motor Vehicle Fees	19,612,336	18,534,224	17,664,970	16,967,100
	48,782,036	46,852,652	44,512,970	42,353,100
Sales Tax				
75% Point of Sale	24,558,180	25,463,533	26,628,762	27,896,856
25% County ERAF Backfill	7,086,587	8,118,132	8,392,001	9,799,434
Proposition 172	1,065,346	1,087,330	1,159,238	1,217,200
	32,710,113	34,668,995	36,180,001	38,913,490
Utility Users Tax				
Water	2,541,674	2,699,052	2,952,000	3,121,400
Electric & Gas	16,068,172	16,517,005	16,850,000	17,296,500
Cable	1,995,069	1,985,307	1,943,326	1,887,000
Telecommunications	10,111,984	9,784,959	9,491,410	9,182,100
	30,716,899	30,986,323	31,236,736	31,487,000
Franchise Tax				
PG&E	1,745,610	1,799,027	1,835,000	1,871,700
Cable/Video	2,094,157	2,204,115	2,940,000	2,144,000
Waste Haulers	7,514,550	7,499,593	7,432,238	7,245,000
	11,354,317	11,502,735	12,207,238	11,260,700
Business License Tax	9,288,875	9,249,774	9,145,000	9,235,000
Hotel/Motel Tax	1,750,153	1,798,740	1,800,000	1,811,000
Document Transfer Tax	558,611	583,418	604,000	530,000
Motor Vehicle License	855,878	1,479,303	-	-
Interest	1,014,602	881,221	140,250	(310,423)
	13,468,119	13,992,456	11,689,250	11,265,577
Program Revenues				
Fire Contracts	4,688,889	3,885,672	4,915,879	3,923,678
Code Enforcement	5,504,189	3,670,739	3,266,084	3,026,300
Charges for Services	2,549,574	2,128,003	1,971,385	1,963,786
Fines & Forfeitures	3,461,164	2,486,772	1,393,500	1,455,600
Revenues from Other Agencies	1,052,767	832,931	742,400	758,000
Licenses & Permits	391,661	143,191	458,226	371,825
Misc Other Revenues	165,933	254,512	(54,658)	(168,000)
	17,814,177	13,401,820	12,692,816	11,331,189
Interfund Reimbursements				
Indirect Cost Allocation	6,243,088	6,005,969	5,300,000	4,850,000
Workers Comp Reimbursement	1,503,684	1,492,517	-	-
Refunds & Reimbursements	430,981	1,195,388	820,431	173,383
Rents/Leases/Concessions	2,655,215	2,544,647	2,588,557	2,508,746
	10,832,968	11,238,521	8,708,988	7,532,129
Transfers In				
Transfers In	451,496	22,321,880	-	
From Technology Fund - 502		1,200,000	-	
From Parking for Debt Service - 417	777,164	779,311	774,515	772,220
	1,228,660	24,301,191	774,515	772,220
Total Revenues	**$ 166,907,289**	**$ 186,944,693**	**$ 158,002,514**	**$ 154,915,405**
	-	-	-	-

General Fund - 010
2012-13 Proposed Budget by Program

	FY 2009-2010 Actual	FY 2010-2011 Unaudited Actual	FY 2011-2012 Current Budget	FY 2012-13 Baseline
Expenditures				
Programs				
Police	$ 86,308,498	$ 86,855,958	$ 83,306,025	$ 93,023,477
Fire	47,500,662	47,618,852	40,447,868	40,529,586
Public Works	7,748,101	7,135,215	7,438,423	7,369,140
Economic Development	359,011	318,981	487,199	725,760
Peacekeeper Program	91,538	61,760	132,055	249,615
Arts Commission	30,976	40,025	36,737	37,687
	142,038,786	142,030,791	131,848,307	141,935,265
Program Support for Other Funds				
Library	4,227,451	4,111,205	3,977,759	4,125,000
Recreation	3,023,774	2,941,711	2,757,263	2,800,000
Entertainment Venues	3,187,473	2,191,299	2,441,299	2,152,000
RDA Successor Agency		3,875,976	3,100,000	1,319,248
Compensated Absences		3,697,917		
Downtown Marina		966,000	732,000	732,000
Capital Improvement		480,000	500,000	1,575,000
Administration Building			235,000	2,588,442
Golf Courses				322,000
Grant Match	257,947	854,112	303,100	500,000
Development Services		512,318	150,000	1,000,000
	10,696,645	19,630,538	14,196,421	17,113,690
Administration				
City Council	485,649	506,449	501,797	495,641
City Manager	824,582	1,079,271	748,054	1,087,031
City Attorney	1,131,916	886,204	838,894	1,004,351
City Clerk	651,082	760,661	766,597	789,120
City Auditor	433,347	441,772	535,545	508,827
Administrative Services	2,492,087	2,709,626	3,303,066	3,822,076
Human Resources	1,427,295	1,468,742	1,358,532	2,185,971
Tax Collection & Election	2,474,301	3,247,483	2,620,000	2,745,250
Other Administration	9,941,013	(589,387)	1,139,718	(842,177)
Labor Litigation	265,002	1,835,945	5,000,000	2,312,500
	20,126,274	12,346,766	16,812,203	14,108,590
Debt Service	777,164	2,152,648	3,013,468	2,737,133
Contingency			850,000	2,000,000
Baseline Subtotal				**177,894,678**
Fiscal Stabilization Measures				2,929,016
Subtotal with Fiscal Stabilization				**180,823,694**
Pending Balancing Plan				(25,908,289)
Total	**$ 173,638,869**	**$ 176,160,743**	**$ 166,720,399**	**$ 154,915,405**
	-	-	-	-

STOCKTON
INCORPORATED JULY 18 1849

Other Special Programs
General Special Revenue - 642
2012-13 Proposed Budget

	FY 2009-2010 Actual	FY 2010-2011 Unaudited Actual	FY 2011-2012 Projected	FY 2012-2013 Proposed Budget
Beginning Available Balance	$ 20,743	$ 27,610	$ 38,648	$ 38,827
Revenues				
Propgram Revenue				
Donations	11,005	10,003	131,400	1,868
Other Revenue	91,493	92,279	292,779	92,279
	102,498	102,282	424,179	94,147
Expenditures				
Program Expenses	95,631	91,244	424,000	97,279
	95,631	91,244	424,000	97,279
Transfers				
Transfer In				
Transfer Out - Grant Fund - 020				
	-	-	-	-
Net Annual Activity	6,867	11,038	179	(3,132)
Ending Available Balance	$ 27,610	$ 38,648	$ 38,827	$ 35,695

Available Balance Calculation	
Current assets	$ 38,897
Current liabilities	(250)
Ending Available Balance	$ 38,647

TAB

Debt

CITY DEBT SERVICE FUNDS

Debt Service Funds are used to administer the City's General Government and Assessment District debt obligations.

Budget at a Glance - Baseline:

City Debt Service Fund	$ 8,119,247
CFD & Assessment Districts	$18,399,839
Administration	$ 742,459
Total Expenditures	$27,261,545
Total Revenues	$27,261,545
Total Net Cost	$0

GENERAL FUND OBLIGATIONS

The City's General Fund secures the following series of bonds and other debt obligations that are administered in the City's Debt Service Fund:

Certificates of Participation 2003 A & B – Redevelopment Housing Program

Certificates of Participation (COP) Series 2003 A & B were issued in the amount of $13,300,000 in June, 2003. The COPs were issued to finance redevelopment housing projects. Repayment of the COPs is financed by a transfer from the Redevelopment Agency housing set-aside funds. Additional funding is available in fiscal year 2012-13 from a working capital conversion completed in fiscal year 2011-2012. The annual budget for the COPs is $992,670.

Lease Revenue Bonds 2006 Series A – Stewart/Eberhardt Building

The 2006 Lease Revenue Refunding Bonds Series A were issued in the amount of $13,965,000 in March, 2006. The Bonds were issued to finance the acquisition and construction of the Essential Services Building (the Stewart/Eberhardt Building) and an adjacent parking facility. The sources for repayment are the Central Parking District Fund and the Public Facilities Fee Fund (Police Stations). The annual budget for the bonds is $910,113.

Lease Revenue Bonds 2007 Series A & B – City Administration Building

The 2007 Variable Rate Demand Lease Revenue Bonds, Series A & B were issued in the amount of $40,770,000 in November, 2007. The bonds were issued to provide funds to finance the acquisition of an office building and parking garage located at 400 E. Main in downtown Stockton, which is planned to be converted into the City Administration Building. The annual budget for the bonds is $2,672,344.

2009 Lease Revenue Bonds Series A – (Public Facilities Fees)

The 2009 Lease Revenue Bonds Series A were issued in the amount of $35,080,000 in September, 2009. The Bonds were issued to finance various capital improvements located throughout the City. The sources for repayment are development impact fees collected to finance the construction of Fire Stations, Police Stations, Parklands and Street Improvements. The annual budget for the bonds is $2,417,088.

Howard-Jarvis Settlement

On October, 2006 a lawsuit (*Howard Jarvis Taxpayers Assoc., et al. v. City of Stockton)* was filed contending that transfers of fees levied on water, wastewater and stormwater utilities violated Proposition 218 on the grounds that the transfers caused utility fees to be used for purposes other than providing the utility services for which the fees were charged. A settlement agreement reached in March, 2009 required the City's General Fund and Capital Improvement Fund to repay over a thirty year period $15,798,000 in principal plus $3,580,000 in accrued interest, for a total estimate of $19,378,000. Annual payments of $1,127,032 are funded by a transfer from the General Fund.

COMMUNITY FACILITIES DISTRICTS AND ASSESSMENT DISTRICTS

Approximately 24 Special Districts have been formed to facilitate the issuance of bonds to finance improvements throughout the City. The types of improvements that have been financed include subdivision improvements, street lights, and parks. Assessments are levied and added to the tax rolls on properties within the Districts. These assessments provide the source of payment on the bonds. The annual budget for the bonds is $18,399,839.

OTHER FUNDS (*NOT INCLUDED IN THE GENERAL FUND BUDGET AT A GLANCE – BASELINE)

The following obligations are reported as "Memorandum Only" in this Debt Service section of the Budget and are presented for informational purposes. Debt Service related to these obligations is reported within the appropriate programs.

Water Debt Service (see page K-5)

Federal Drought Relief Act Loan
In August 1977, the City accepted a Federal Drought Relief Act Loan in the amount of $1,834,000 to finance drought relief projects for the Water Utility Enterprise Fund. Repayment of the loan is financed from net revenues pledged by the Water Utility Fund. The annual budget for the loan is $95,342.

Revenue Bonds, Series 2002A
The 2002 Series A Bonds were issued in the amount of $14,280,000 in April, 2002, as part of the City's participation in the California Statewide Community Development Authority (CSCDA) Water and Wastewater Revenue Bond (Pooled Financing Program). The bonds were issued to refinance prior water system expansion bonds. Repayment of the bonds is financed from net revenues pledged by the Water Utility Fund. The annual budget for the bonds is $1,111,588.

Revenue Bonds, Series 2005 A
The 2005 Water Revenue Bonds were issued in the amount of $24,230,000 in November, 2005, The bonds were issued to finance various water system capital improvement projects. Repayment of the bonds is financed from net revenues pledged by the Water Utility Fund. The annual budget for the bonds is $1,150,313.

Revenue Bonds, 2009 Series A & B
The 2009 Water Revenue Bonds Series A & B were issued in the amount of $173,125,000 in August, 2009. The bonds were issued for the design and construction of the first phase of the Delta Water Supply Project. Repayment of the bonds is financed from net revenues pledged by the Water Utility Fund. The annual budget for the bonds is $15,736,838.

Revenue Bonds, 2010 Variable Rate
The 2010 Revenue Bonds were issued in the amount of $55,000,000 in October, 2010. The bonds were issued to provide financing to complete the Delta water Supply Project. . Repayment of the bonds is financed from net revenues pledged by the Water Utility Fund. The annual budget for the bonds is $1,690,240.

Wastewater Debt Service (see page K-5)

Certificates of Participation, Series 1998 Series A
The 1998 Certificates of Participation (COPs) were issued in the amount of $101,650,000 in February 1998. They COPs were issued to finance the design and construction of a sewer interceptor, to make improvements and modifications to the southern industrial sewer trunk line, and to refund the 1995 COP issue that financed the design, improvements and modifications to the regional wastewater control facilities. Repayment of the COPs is financed from net

revenues pledged by the Wastewater Utility Fund. The annual budget for the COPs is $6,371,968.

Certificates of Participation, Refunding 2003 Series A
The 2003 Certificates of Participation (COPs) were issued in the amount of $14,135,000 in May, 2003. The COPs were issued to advance refund the 1993 COPs which had financed various Wastewater System Improvements. Repayment of the COPs is financed from net revenues pledged by the Wastewater Utility Fund. The annual budget for the COPs is $1,005,120.

Internal Service Debt Service

Pension Obligation Bonds 2007 Series A & B (see page O-5)
The 2007 Taxable Pension Obligation Bonds (POB), Series A & B were issued in the amount of $125,310,000 in March, 2007. The POBs were issued to refinance a portion of the City's unfunded actuarial liability with respect to retirement benefits accruing to its members of the California Public Employees' Retirement System. The annual budget for the bonds is $7,712,550.

Capital Lease - Fire Vehicles (see page O-8)
On April 17, 2007 The City Council approved the execution of a Master Equipment/Lease Agreement with Banc of America Leasing and Capital, LLC to provide a tax-exempt financing mechanism and established the underlying financing tool for designated capital projects. The City authorized the purchase of an aerial fire truck and water rescue vehicle for the Fire Department amounting to $1,000,000. The annual budget for the lease is $88,524.

Capital Lease – Information Technology Equipment (see page O-13)
On June 24, 2008 The City Council approved the execution of a tax exempt lease through Key Government Finance in the amount of $2,430,632 to implement a Citywide Unified Communication Environment. The sources for repayment are Internal Service fund charges made on departments using the phone system. The annual budget for the leased is $325,000.

Other Debt Service (see page N-15)

Capital Lease - Civic Auditorium HVAC (see N-15)
On December 15, 2009 the City Council approved the execution of a Lease Purchase Agreement with Wells Fargo Securities, LLC to provide financing for the replacement of the Heating, Ventilation and Air Conditioning (HVAC) system for the Stockton Memorial Civic Auditorium. The lease is in the amount of $1,930,000 and the sources for repayment are savings from reductions in utility costs to operate the HVAC system and from the Capital Improvement Project fund of the City. The annual budget for the lease is $248,781.

Department of Boating and Waterways Loan – Marina Planning and Construction (see page J-31)
On March 17, 1997, the Redevelopment Agency entered into an agreement with the California Department of Boating and Waterways (DBAW) for financing related to the planning of a small craft harbor facility. Once planning was complete, in May of 2000, an application was made for a construction loan to develop the facility. Overall indebtedness for both loans is $11,056,641 and the sources for repayment are the Merged Waterfront Redevelopment Area (Planning Loan) and transfers from the General Fund to support the Harbor Facility operations fund during the ramp up phase to full operations. The annual budget for the construction loan is $684,701.

DEBT

Loan Payable San Joaquin Council Governments Loan #1 and 2 (see page G-6)
In 2009 the City entered into a loan agreement with the San Joaquin Council of Governments (SJCOG) for an advance of future Measure K maintenance funds in the amount of $6,543,238 to expand the City's street maintenance program and to complete preliminary design work on a freeway interchange at I-5 and Otto Drive. The sources for repayments are the Measure K Revenues. The annual budget for the loans is $1,277,247.

Section 108 Loans (see page J-11)
The City has entered into four Section 108 loan guarantee agreements with the U.S. Department of Housing and Urban Development (HUD) to complete redevelopment projects. Repayment of the loans will be financed from Community Development Block Grant entitlement funds. The annual budget for the loans is $2,207,670.

City Debt Service Funds
2012-13 Proposed Budget

	Debt and Cash Administration 201	Certificates of Participation Series 2003 A & B 201	Lease Revenue 2006 Series A 201	Lease Revenue 2007 Series A & B 201
Date Issued		6/27/2003	4/6/2006	3/26/2007
Purpose		Affordable Housing Program	Parking and Stewart/Eberhardt Building	City Administration Building 400 Main
Revenues				
Charges for Services				
Sales Tax				
Build America Bonds				
Tax Increment				
Interfund Charges	600,426			
Interest				
Other Revenue				
Assessments				
	600,426	-	-	-
Expenditures				
Principal		$ 345,000	$ 400,000	$ 155,000
Interest		645,170	507,494	2,517,344
Operating Expenses	160,800	2,500	2,619	-
Capital Projects				
Administrative Costs	581,659			
	742,459	**992,670**	**910,113**	**2,672,344**
Transfers				
Transfer In				
General Fund	142,033			
Other Funds		992,670	910,113	2,672,344
Transfer Out				
General Fund				
Other Funds				
	142,033	**992,670**	**910,113**	**2,672,344**
Net Annual Activity	$ -	$ -	$ -	$ -

City Debt Service Funds, Continued
2012-13 Proposed Budget

	Lease Revenue SPFA A 2009 Series A 201	Howard-Jarvis Settlement Water/ Wastewater 201	City Debt Service Fund 201	CFD and 1915 Act Debt Service 250/701 Total	Total
Date Issued	8/20/2009			Various	
Purpose	Public Facilities Fee Program	General Fund Obligation to Utility Funds		Assessment Districts	
Revenues					
Charges for Services					
Sales Tax					
Build America Bonds					
Tax Increment					
Interfund Charges			$ 600,426		$ 600,426
Interest					
Other Revenue					
Assessments				18,399,839	18,399,839
	-	-	**600,426**	**18,399,839**	**19,000,265**
			-		-
Expenditures					
Principal		375,840	1,275,840	11,520,000	12,795,840
Interest	2,415,838	751,192	6,837,038	6,279,413	13,116,451
Operating Expenses	1,250		167,169	160,800	327,969
Capital Projects					
Administrative Costs			581,659	439,626	1,021,285
	2,417,088	**1,127,032**	**8,861,706**	**18,399,839**	**27,261,545**
Transfers					
Transfer In					-
General Fund		1,127,032	1,269,065		1,269,065
Other Funds	2,417,088		6,992,215		6,992,215
Transfer Out					-
General Fund					
Other Funds					-
	2,417,088	**1,127,032**	**8,261,280**	-	**8,261,280**
			-		-
Net Annual Activity	$ -	$ -	$ -	$ -	$ -
			-	-	-

Revenues	$ 19,000,265
Transfers	8,261,280
Total Sources	$ 27,261,545
Expenditures	$ 27,261,545
Transfers	
Total Appropriations	$ 27,261,545

Exhibit E

GENERAL FUND REVENUE SPREADSHEET INSTRUCTIONS

Budgeting 2012-13 property tax revenues will continue to be a challenge due to the ongoing decline of single family residential sale prices and valuation reductions that are likely to be processed by assessors throughout the State between January and June 2012. HdL Coren & Cone has prepared our annual budget worksheet to assist you in estimating property tax and VLF (in-lieu) revenues for next fiscal year.

We have learned that this model needs to be re-evaluated annually to account for changes in the real estate landscape that will impact the revenue stream in the coming year. While we have excellent tools for revenue modeling, projections for 2012-13 are particularly challenging due to the difficulty in estimating how much value will be removed due to Proposition 8 reviews. These administrative reductions performed by assessors will be addressed differently in each county. Some assessors have consistently been very aggressive, striving to limit the number of assessment appeal filings and others have made more moderate reductions. In most of the counties we are seeing the median sale price on par with what was seen in the 2001 or 2002 calendar year erasing the growth that was experienced during the bubble. We encourage you to contact us, ask questions, or to discuss our reasoning on this model. As city staff you may have information that we have not received and that information, once applied to the revenue model, may change the outcome.

To discuss your spreadsheet with HdLCC staff, please call 909.861.4335 or email us at the following:
Paula Cone - pcone@hdlccpropertytax.com
Marty Coren – mcoren@hdlccpropertytax.com
Nichole Cone- ncone@hdlccpropertytax.com

This year the Assessor's applied CPI factor is 2%. While this is seen as a positive step to aiding cities to see a more positive property tax view overall, all properties that have been granted Prop 8 reductions are required to be reviewed each year outside of the CPI adjustment. If the property's market values have moved lower, additional reductions will be granted; if the prices have not moved up or down, the same value enrolled last year will be enrolled for the coming fiscal year; and when values begin to move upward, the assessor will begin to recapture values as required per Proposition 8. The recaptured values will be based on the then current market values of properties selling. He/She can recapture more than the 2% CPI in a tax year but cannot increase the property value higher than its Prop 13 trended base value.

Estimating property tax receipts is not an exact science. County assessors make changes to the property rolls daily to reflect transfers in ownership, new construction activity, assessment appeals, parcel splits and other dynamic changes. Most assessors

will be proactively applying Prop 8 reductions, to the 2011-12 roll between January and May 2012. For this reason unless your assessor is sharing these changes with you on a regular basis, you will not know the magnitude of the reductions until the release of the roll after July 1, 2012.

ASSUMPTIONS:

This year we are going to provide you with our assumptions in developing the spreadsheet model. This will allow you to make educated changes based on local information and over-ride our assumptions if you feel we are not taking specific changes into consideration. We will also be posting your General Fund Revenue Spreadsheet **ON OUR WEBSITE** at 4 week intervals between the middle of February and the end of May to allow you to see the sales trends that may be influencing the Assessor's work to the roll between January and May.

1. All real property not reduced per Proposition 8 by the county assessors will receive the 2% CPI adjustment. In reviewing the trending of Prop 8 reductions, most of our clients have seen about 1/3 of the single family residential properties in the city reduced by the Assessor and those properties will not receive the 2% CPI adjustment as a rule.
2. The median sales price for the past 12 months is used as a gauge for the potential additional Proposition 8 reductions that might be affected by the Assessor's review. This number may change based on the median sales prices as we move through the spring of 2012. We will be using a rolling 12 month view in our projections. The assessor's staff reviews properties between January and May to determine the degree of reductions to be applied per Proposition 8. Unless your assessor works with cities to inform staff members of the potential number and reductions that are being applied, the magnitude of these reductions will not be known until the roll is released in July 2012.
3. In those counties where we are able to purchase assessment appeal information, we will factor the potential impact of successful Non SFR appeals in the current and coming year on property values. In the counties where this information is not available for purchase, we have taken the overall 2010-11 decline in Non SFR values countywide and budgeted 1.5 times that number for the potential commercial and industrial decline in the 2012-13 tax year. Appeals have been filed in larger numbers during the past 2-3 years and those appeals that are not granted at the staff level are seeing reductions before the assessment hearing boards in higher percentages than usual.
4. In cities with redevelopment agencies, base year values tend to remain constant unless new project areas are formed. With the "death" of redevelopment, we don't anticipate any changes to base year values.
5. The personal property on the secured tax rolls and the unsecured property values are being budgeted at 98% of 2011-12 levels under the assumption that existing businesses are not purchasing new equipment in the current economic environment and the existing property will depreciate. This value is not a one

size fits all, so any community with new development which supports tenants may see an increase instead of a decline in this value type.

Building permit or project completion information will be available from your city's building official. It is suggested that you use a November 2010 through October 2011 for the 2012-13 fiscal year, and focus on completed new construction outside of the RDAs. We were not seeing much in the way of new development projects in California in the 2011 calendar year, but this is a regional issue and each city is different.

Once you have developed an assessed value number for 2012-13, this value is multiplied by 1% and then that product is multiplied by the "City Share of 1% Tax Revenue" noted in the middle of the report in calculating your estimated general fund tax revenue. This is a weighted 1% share citywide.

For NON-TEETER cities we have not factored for delinquent taxes. The delinquency rate is between 3.5% and 4% depending on the county surveyed. No offset has been made for administrative fees charged by the county per SB 2557.

THIS REPORT IS ONLY A GUIDE. The most accurate estimate of future revenues would include factoring of some of the elements in this spreadsheet report against the actual secured, unsecured, and HOX revenues received for the current year. Current year revenues plus trending information specifically related to appeals, property transfers and new development in the general taxing district (non-redevelopment portion of the city) are all critical to the development of estimated general fund revenues.

Pooled revenue sources such as supplemental payments, redemption payments and one-time adjustments made by the auditor-controller should not be included in property tax revenue projections unless consistent amounts have been received annually and you have an expectation of continued receipt of these revenues at a similar level. While supplemental apportionments have been declining, redemption (delinquent) payments in non-teeter cities have increased as banks have brought delinquent accounts current on their REO properties. These pooled revenue sources are difficult to quantify accurately.

The VLF in-lieu estimate is based on the change in value in the entire city which may be a different set of values for cities with redevelopment project areas. This revenue source is now tied to property value change between tax years.

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THE CITY OF STOCKTON
GENERAL FUND REVENUE ESTIMATE

2012/13 Revenue Estimate based on 2011/12 Values and Estimated Changes

	General Fund	VLFAA
General Fund and BY Values 2011/12	***$15,577,521,568***	
Citywide Net Taxable Value 2011/12		**$16,741,072,576**
Real Property Value (Incl. Prop 8 parcels)	**$11,357,322,139**	**$15,651,575,633**
CPI of Non Prop 8 Parcels (2.000%)	$120,130,460	$184,341,935
Transfer of Ownership Assessed Value Change	($9,838,093)	($21,309,514)
Non Res. Appeals Exposure (-2.9111% * Non SFR Value)	($100,603,333)	($164,400,706)
Est. SFR Prop 8 Red. Based on Recent SFR Price	($399,973,810)	($563,385,973)
Estimated Real Property Value	**$10,967,037,364**	**$15,086,821,375**
Base Year Values	$3,701,741,081	*Included in AV*
Secured Personal Property Value (-2.0% growth)	$142,634,016	$334,637,800
Unsecured Personal Property Value (-2.0% growth)	$361,262,134	$726,009,164
Nonunitary Utility Value	$4,278,603	$7,204,306
Enter Completed New Construction		
Estimated Net Taxable Value	**$15,176,953,198**	**$16,154,672,646**
Estimated Total Percent Change 2012/13	***-2.57%***	***-3.50%***
Taxed @ 1%	$151,769,532	
Aircraft Value	$9,008	
Average City Share 0.1612031684	$24,465,729	
Aircraft Rate (.01 * 0.333333333)	$30	
Enter Unitary Taxes Budgeted Flat		
Net GF Estimate for 2012/13	**$24,465,759**	
Enter Suppl. Apportionment Recd. in 2011/12		
Base Value of VLFAA		$17,582,487
Estimated Change to VLFAA		-$615,387
VLFAA Estimate for 2012/13		**$16,967,100**

NOTES:

- Base Year Values Entry: The "death" of redevelopment means that base year values in redevelopment project areas will tend to remain constant (no growth). Large base year value pools proportionately reduce the actual value in the city general fund.
- Completed new construction entry: if completed new construction has resulted in a sale of the property it is likely that the new value will appear in the value increase due to transfers of ownership entry and therefore should not be also included in the completed new construction value. Enter completed new construction between Nov. 2010 and Oct. 2011.
- Appeals: Estimates are based on countywide averages. For Counties where appeals data is available the values of all pending appeals are projected assuming 60% of outstanding appeals are heard and are as successful as prior heard appeals. In Counties where Appeals are not available the overall countywide decline on non SFR between 2010-11 and 2011-12 is multiplied by 1.5.
- Secured personal property and unsecured values are projected at 98% of 2011-12 levels
- Estimated Assessor Prop 8 Reductions: Prop 8 reductions in value are TEMPORARY reductions applied by the assessor which recognize the fact that the current market value of a property has fallen below its current (Prop 13) assessed value. For 2012-13 prior prop 8 reductions are not included in the CPI increase, but are projected flat until the Assessor begins to recapture value after the economy improves and median sale prices begin to increase.
- Supplemental revenue projections are erratic and should be budgeted conservatively. Use last years actual receipts as a guide.
- General Fund Revenue Estimate does not include any ad valorem voter approved debt.
- Projections assume 100% payment of taxes. Delinquency rates of between 3%-4% are not factored.
- SB 2557 Administration Fees are not deducted from the general fund projections.

Prepared on 3/29/12 Using Sales Through 2/15/12

Data Sources: San Joaquin County Assessor 2011/12 Secured and Unsecured Tax Rolls and Appeals Data, San Joaquin County Auditor Controller, Recorder

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SAN JOAQUIN COUNTY

COMPARISON OF MEDIAN SALE PRICE TO PEAK PRICE

Detached Single Family Residential Sales (01/01/2000 - 4/30/2012)

City	Peak Median Year	Peak Median Price	Current Median Price	% Current Median is Off Peak	Current Sales Price at Price of Prior Year
SAN JOAQUIN COUNTY	2006	516,500	125,000	-75.8%	2000
STOCKTON	2006	395,000	125,000	-68.4%	2001
LATHROP	2006	508,000	174,500	-65.6%	2001
MANTECA	2006	425,000	162,000	-61.9%	2000
TRACY	2005	525,000	230,000	-56.2%	2000
LODI	2006	384,500	168,500	-56.2%	2001
ESCALON	2005	374,000	167,500	-55.2%	2001
RIPON	2006	550,000	250,000	-54.5%	2002
SAN JOAQUIN * (Entire Region)	2006	440,000	155,000	-64.8%	2001

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

Data Source: San Joaquin County Recorder

Prepared On 6/27/2012 By PC

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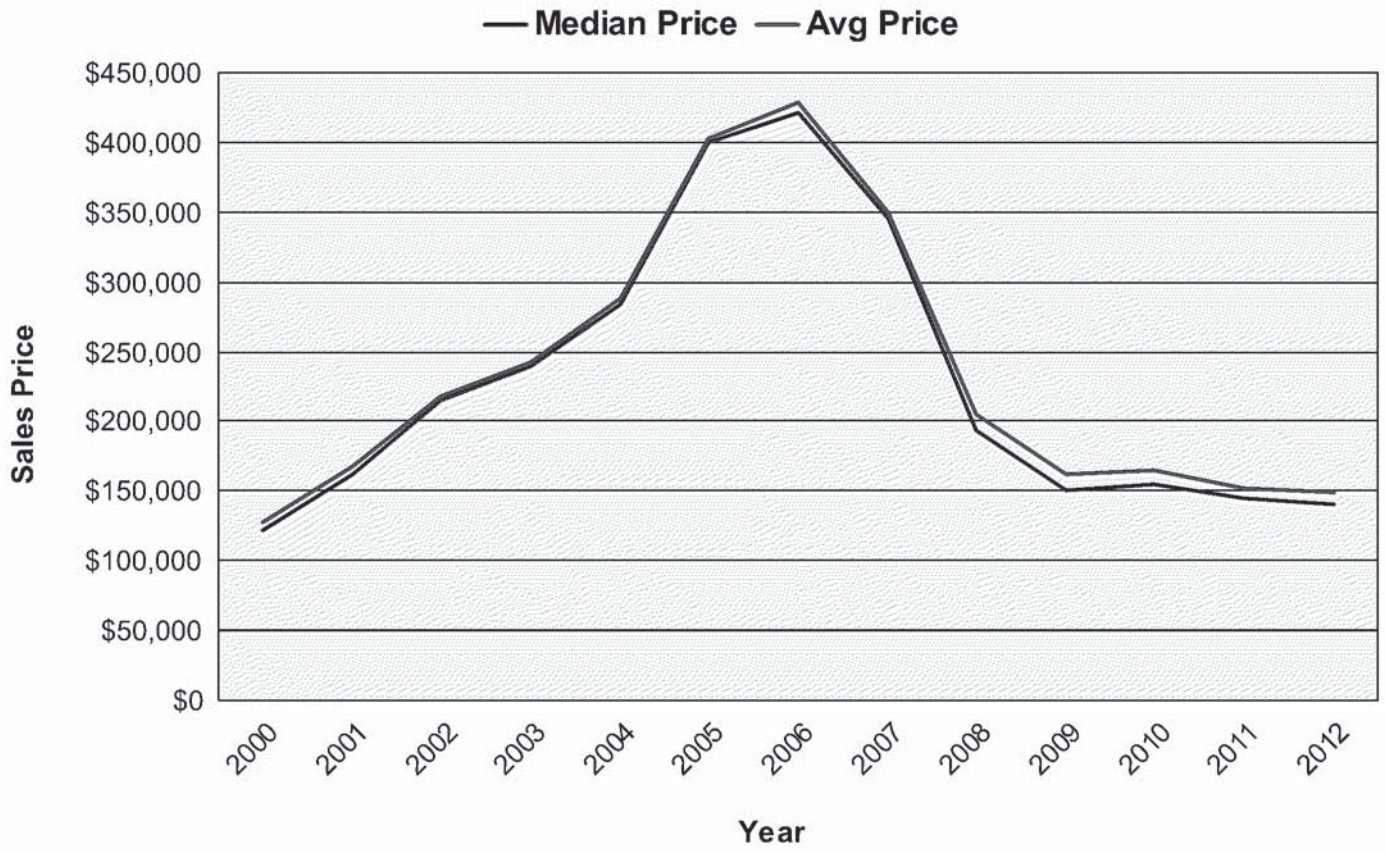
THE CITY OF STOCKTON
STOCKTON GENERAL FUND
SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2000 - 4/30/2012)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2000	1,895	$127,388	$121,500	
2001	2,194	$167,705	$162,000	33.33%
2002	2,448	$217,718	$215,000	32.72%
2003	2,948	$242,228	$240,000	11.63%
2004	3,700	$288,362	$283,500	18.13%
2005	3,489	$402,030	$400,000	41.09%
2006	2,613	$428,461	$422,000	5.50%
2007	1,208	$349,626	$345,000	-18.25%
2008	3,294	$204,549	$193,000	-44.06%
2009	3,789	$161,655	$150,000	-22.28%
2010	2,823	$164,820	$155,000	3.33%
2011	2,756	$151,941	$145,000	-6.45%
2012	804	$148,473	$140,000	-3.45%



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: San Joaquin County Recorder

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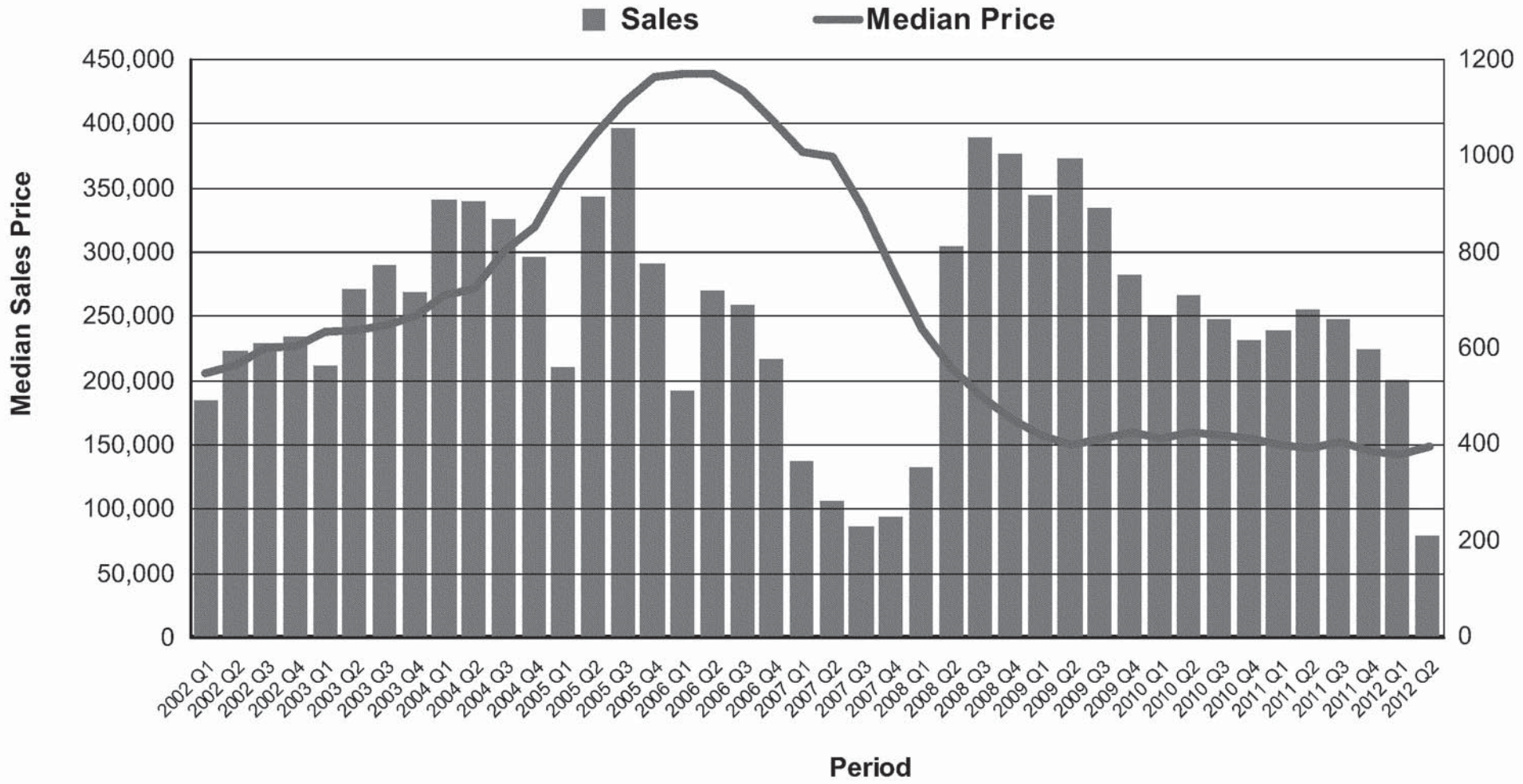
THE CITY OF STOCKTON
STOCKTON GENERAL FUND
SALES HISTORY

Detached Single Family Residential Full Value Sales (01/01/2002 - 4/30/2012)



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: San Joaquin County Recorder

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THE CITY OF STOCKTON
TRANSFER OF OWNERSHIP (2007 - 2011)

	Single Family Residential				Multifamily, Commercial, Industrial, Vacant				Totals				
Tax Year	# SFR Sales	Original Values	Sale Price	% Change	Non SFR Sales	Original Values	Sale Price	% Change	Total Sales	Original Values	Sale Values	% Change	$ Change
ENTIRE CITY *Valid Sales Price Analysis*													
2011 1/1/11-12/31/11	3,857	$534,201,980	$500,120,875	-6.4%	133	$22,626,099	$35,397,690	56.4%	3,990	$556,828,079	$535,518,565	-3.8%	-$21,309,514
2010 1/1/10-12/31/10	3,995	$570,733,986	$558,463,772	-2.1%	151	$31,947,068	$42,048,600	31.6%	4,146	$602,681,054	$600,512,372	-0.4%	-$2,168,682
2009 1/1/09-12/31/09	5,727	$843,474,153	$757,490,629	-10.2%	51	$28,409,837	$20,784,999	-26.8%	5,778	$871,883,990	$778,275,628	-10.7%	-$93,608,362
2008 1/1/08-12/31/08	4,626	$1,118,219,343	$814,123,538	-27.2%	565	$159,667,078	$162,166,579	1.6%	5,191	$1,277,886,421	$976,290,117	-23.6%	-$301,596,304
2007 1/1/07-12/31/07	1,640	$404,141,830	$522,771,900	29.4%	547	$123,275,211	$254,659,742	106.6%	2,187	$527,417,041	$777,431,642	47.4%	$250,014,601
GENERAL FUND *Valid Sales Price Analysis*													
2011 1/1/11-12/31/11	2,702	$437,941,417	$412,976,740	-5.7%	92	$5,305,506	$20,432,090	285.1%	2,794	$443,246,923	$433,408,830	-2.2%	-$9,838,093
											Est. Revenue Change:		**-$29,681.11**
2010 1/1/10-12/31/10	2,738	$466,815,646	$454,630,230	-2.6%	121	$22,102,021	$35,157,000	59.1%	2,859	$488,917,667	$489,787,230	0.2%	$869,563
											Est. Revenue Change:		**-$11,245.35**
2009 1/1/09-12/31/09	3,733	$652,066,666	$606,829,055	-6.9%	16	$18,856,506	$13,183,454	-30.1%	3,749	$670,923,172	$620,012,509	-7.6%	-$50,910,663
											Est. Revenue Change:		**-$94,607.31**
2008 1/1/08-12/31/08	3,257	$874,782,775	$667,626,328	-23.7%	441	$123,279,352	$133,962,353	8.7%	3,698	$998,062,127	$801,588,681	-19.7%	-$196,473,446
											Est. Revenue Change:		**-$335,502.02**
2007 1/1/07-12/31/07	1,197	$334,403,045	$419,415,221	25.4%	432	$83,209,807	$190,873,789	129.4%	1,629	$417,612,852	$610,289,010	46.1%	$192,676,158
											Est. Revenue Change:		**$263,084.14**
STOCKTON SAs *Valid Sales Price Analysis*													
2011 1/1/11-12/31/11	1,155	$96,260,563	$87,144,135	-9.5%	41	$17,320,593	$14,965,600	-13.6%	1,196	$113,581,156	$102,109,735	-10.1%	-$11,471,421
											Est. Revenue Change:		**-$114,714.21^**
2010 1/1/10-12/31/10	1,257	$103,918,340	$103,833,542	-0.1%	30	$9,845,047	$6,891,600	-30.0%	1,287	$113,763,387	$110,725,142	-2.7%	-$3,038,245
											Est. Revenue Change:		**-$30,382.45^**
2009 1/1/09-12/31/09	1,994	$191,407,487	$150,661,574	-21.3%	35	$9,553,331	$7,601,545	-20.4%	2,029	$200,960,818	$158,263,119	-21.2%	-$42,697,699
											Est. Revenue Change:		**-$426,976.99^**
2008 1/1/08-12/31/08	1,369	$243,436,568	$146,497,210	-39.8%	124	$36,387,726	$28,204,226	-22.5%	1,493	$279,824,294	$174,701,436	-37.6%	-$105,122,858
											Est. Revenue Change:		**-$1,051,228.58^**
2007 1/1/07-12/31/07	443	$69,738,785	$103,356,679	48.2%	115	$40,065,404	$63,785,953	59.2%	558	$109,804,189	$167,142,632	52.2%	$57,338,443
											Est. Revenue Change:		**$573,384.43^**

* Sale value is a sum of all Full Value Parcel Sales (Sales not included in the analysis are quitclaim deeds, trust transfers, partial sales, timeshares, multiple parcel transactions and non-reported document number transfers)

^ Revenue reflects all Incremental revenue generated in Successor Project Areas, excluding base year revenue.

Datasource: San Joaquin County 2007/08 - 2011/12 Secured Tax Roll And County Recorder

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THE CITY OF STOCKTON
STOCKTON GENERAL FUND
PROP 8 POTENTIAL RECAPTURE HISTORY
Residential Parcels

Roll Year	Parcel Count	Net AV	Peak Values	$ Change	Total % Decline	% of All Parcels
2008	13,925	4,077,615,043	5,087,354,823	-1,009,739,780	19.8%	28.9%
2009	27,745	5,457,720,845	8,068,235,966	-2,610,515,121	32.4%	57.6%
2010	30,792	5,953,000,510	8,639,949,895	-2,686,949,385	31.1%	64.1%
2011	31,671	5,493,337,339	8,495,109,107	-3,001,771,768	35.3%	66.1%

The report identifies those parcels which have been granted a value reduction and have the potential of recapturing value per Proposition 8. The reductions were based on current market conditions and recapturing will occur when market values rise.

The Peak Value is defined as a parcel's highest value after its most recent sale. If a parcel is assessed for a lower value after its most recent sale, then the sales price becomes the peak value.

The Proposition 8 potential value recapturing is shown in the change column and assumes no future sales transactions. As properties transfer ownership they are removed from this listing and if sold for more or less will not be eligible for value recapturing per Proposition 8.

Data Source: San Joaquin County Assessor Combined Tax Rolls

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THE CITY OF STOCKTON
STOCKTON GENERAL FUND
COMPARISON OF ASSESSED VALUE TO MARKET VALUE

SFR Analysis - Parcels Without Square Foot Data Included

Roll Year	Parcels	Net Value	Total ft²	Sales (parcels w ft²)	Sale Price/ft²	Est. Market Value
2007	41,093	**10,388,980,811**	70,001,768	1,108	$185.84	**12,952,120,574**
2008	41,316	**9,634,701,525**	78,797,879	3,175	$107.61	**7,347,965,895**
2009	42,589	**7,989,812,488**	81,784,536	3,511	$86.51	**7,464,506,268**
2010	43,391	**7,882,560,717**	83,853,339	2,571	$87.15	**7,671,428,965**
2011	43,977	**7,399,413,283**	84,941,546	2,516	$81.47	**6,987,973,287**

2011 Sales Calculation

Sales of SFR Parcels w ft² data	2,516
SFR Net Value (parcels w ft² data)	$422,974,631
Total Square Feet	4,903,037
Net Value Per ft²	$86.27
Total Sales Value	$399,455,377
Sales Price per ft²	$81.47
Net Value to Sale Price Ratio	**0.9444**
Number of Parcels w/o ft²	1

2011 Assessment Calculation

All Single Family Parcels	43,977
Net Value of all SFR Parcels	**$7,399,413,283**
Total Square Feet	84,941,546
Net Value Per ft²	$87.11
Applied Net Value to Sale Price Ratio	**0.9444**
Estimated Market Value Per ft²	$82.27
Esimated Total Market Value	**$6,987,973,287**
Number of Parcels w/o ft²	2

Notes

The Purpose of this table is to estimate the difference between the assessed value and the market values for single family residences. Market value is estimated based upon changes of ownership of single family homes which occured in the respective calendar year and applying the average percentage increase in the price per square foot to the total single family squared footage in the city.

Data Source: San Joaquin County Assessor Union All Secured Tax Rolls and County

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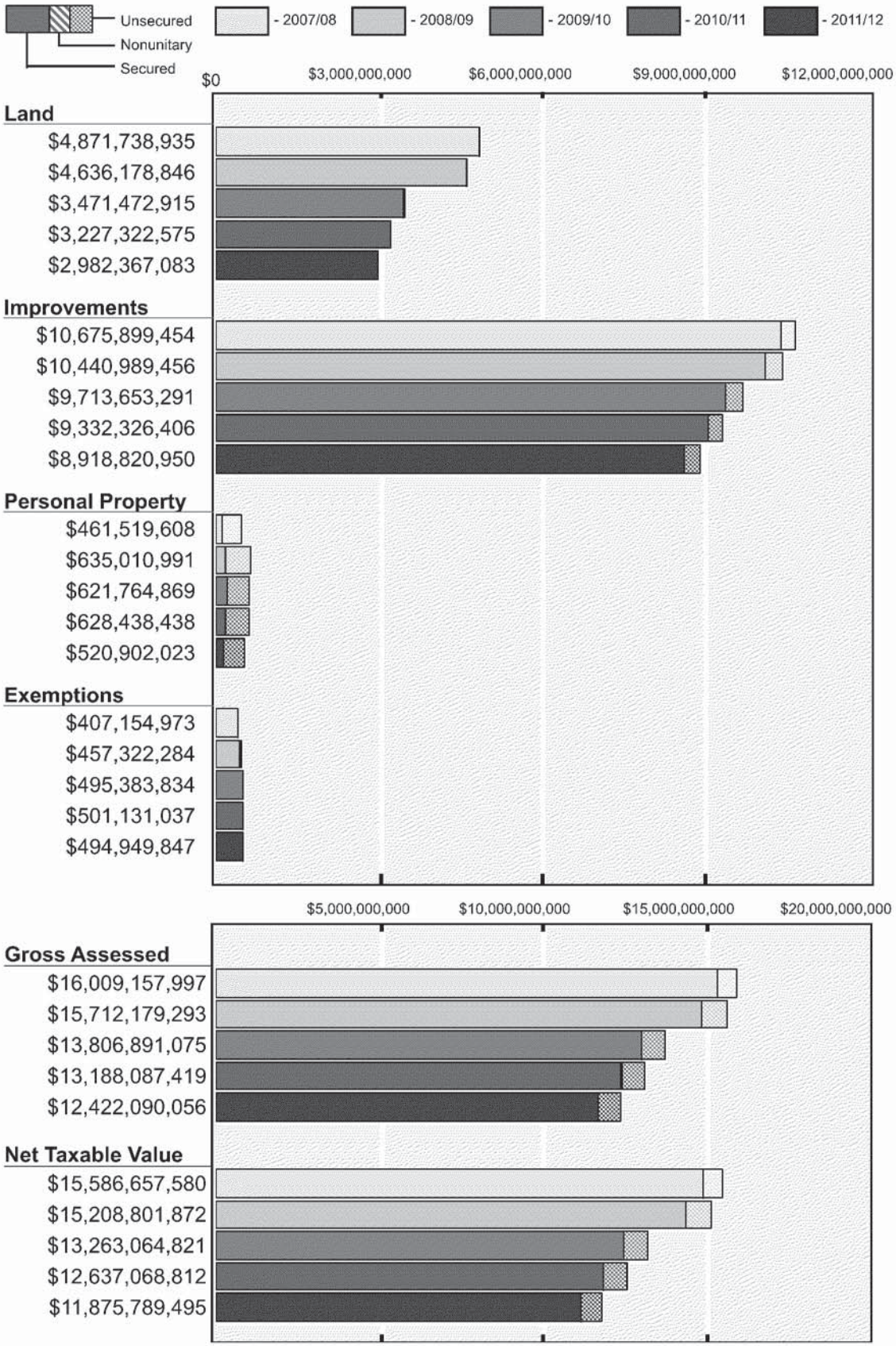
THE CITY OF STOCKTON
STOCKTON GENERAL FUND
2007/08 TO 2011/12 ASSESSED VALUES



		Percent Change Agency	Percent Change County
Land			
	$4,871,738,935		
	$4,636,178,846	-4.8%	-3.7%
	$3,471,472,915	-25.1%	-20.2%
	$3,227,322,575	-7.0%	-6.3%
	$2,982,367,083	-7.6%	-5.3%
Improvements			
	$10,675,899,454		
	$10,440,989,456	-2.2%	0.3%
	$9,713,653,291	-7.0%	-5.3%
	$9,332,326,406	-3.9%	-2.2%
	$8,918,820,950	-4.4%	-2.8%
Personal Property			
	$461,519,608		
	$635,010,991	37.6%	11.7%
	$621,764,869	-2.1%	4.6%
	$628,438,438	1.1%	-5.1%
	$520,902,023	-17.1%	-2.8%
Exemptions			
	$407,154,973		
	$457,322,284	12.3%	10.8%
	$495,383,834	8.3%	14.2%
	$501,131,037	1.2%	5.1%
	$494,949,847	-1.2%	2.0%

		Agency	County
Gross Assessed			
	$16,009,157,997		
	$15,712,179,293	-1.9%	-0.5%
	$13,806,891,075	-12.1%	-9.5%
	$13,188,087,419	-4.5%	-3.5%
	$12,422,090,056	-5.8%	-3.5%
Net Taxable Value			
	$15,586,657,580		
	$15,208,801,872	-2.4%	-0.8%
	$13,263,064,821	-12.8%	-10.2%
	$12,637,068,812	-4.7%	-3.8%
	$11,875,789,495	-6.0%	-3.7%

Data Source: San Joaquin County Assessor 2007/08 To 2011/12 Combined Tax Rolls

Prepared On 4/25/2012 By PC

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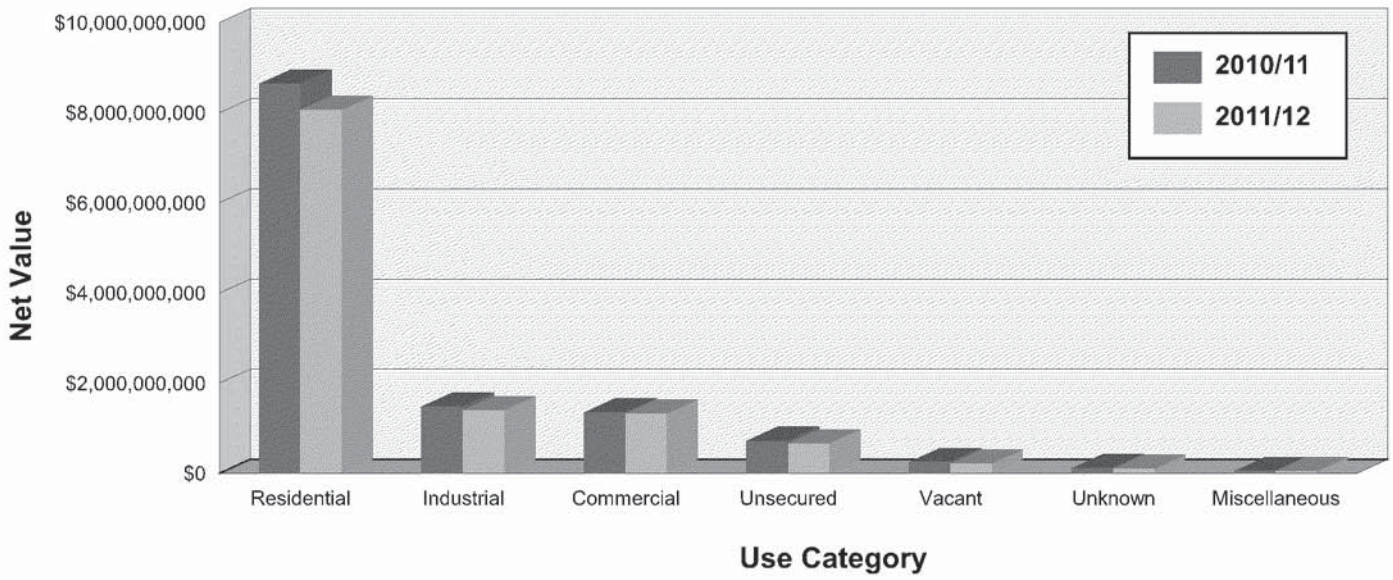
THE CITY OF STOCKTON
STOCKTON GENERAL FUND
2011/12 GROWTH BY USE CATEGORY

2010/11 to 2011/12 Value Growth by Use Category

Category	2010/11 Net Taxable Value	2011/12 Net Taxable Value		$ Change	% Change
Residential	$8,634,758,439	$8,061,384,305	(67.9%)	-$573,374,134	-6.6%
Industrial	$1,474,529,617	$1,401,832,189	(11.8%)	-$72,697,428	-4.9%
Commercial	$1,345,715,237	$1,318,183,595	(11.1%)	-$27,531,642	-2.0%
Unsecured	$714,945,954	$661,152,468	(5.6%)	-$53,793,486	-7.5%
Vacant	$244,327,708	$216,007,450	(1.8%)	-$28,320,258	-11.6%
Unknown	$111,690,012	$99,529,689	(0.8%)	-$12,160,323	-10.9%
Miscellaneous	$47,732,482	$49,306,060	(0.4%)	$1,573,578	3.3%
Recreational	$23,286,828	$23,312,013	(0.2%)	$25,185	0.1%
Institutional	$17,635,774	$22,613,342	(0.2%)	$4,977,568	28.2%
Irrigated	$14,227,191	$14,359,600	(0.1%)	$132,409	0.9%
SBE Nonunitary	$4,279,910	$4,278,603	(0.0%)	-$1,307	0.0%
Govt. Owned	$3,713,674	$3,603,588	(0.0%)	-$110,086	-3.0%
Cross Reference	$225,986	$226,593	(0.0%)	$607	0.3%
TOTALS	**$12,637,068,812**	**$11,875,789,495**	(100.0%)	**$-761,279,317**	-6.0%

Assessed Value by Major Use Category



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THE CITY OF STOCKTON
FORECLOSURE ACTIVITY

	Notices of Default Filed	Notices of Trustee's Sale Filed	Real Estate Owned by Lender Increase	Total Foreclosure Activity	% of Households
Jan - 2007	278	55	27	360	0.3%
Feb - 2007	321	44	5	370	0.3%
Mar - 2007	705	108	29	842	0.7%
Apr - 2007	635	153	52	840	0.7%
May - 2007	743	359	133	1,235	1.0%
Jun - 2007	738	184	166	1,088	0.9%
Jul - 2007	823	164	186	1,173	1.0%
Aug - 2007	1,145	138	288	1,571	1.3%
Sep - 2007	928	125	245	1,298	1.1%
Oct - 2007	673	193	317	1,183	1.0%
Nov - 2007	673	146	395	1,214	1.0%
Dec - 2007	823	287	397	1,507	1.2%
Jan - 2008	813	148	310	1,271	1.0%
Feb - 2008	881	121	378	1,380	1.1%
Mar - 2008	947	86	588	1,621	1.3%
Apr - 2008	1,175	154	743	2,072	1.7%
May - 2008	879	208	633	1,720	1.4%
Jun - 2008	846	266	691	1,803	1.5%
Jul - 2008	697	278	546	1,521	1.2%
Aug - 2008	1,005	501	1,024	2,530	2.1%
Sep - 2008	343	443	622	1,408	1.2%
Oct - 2008	272	395	497	1,164	1.0%
Nov - 2008	389	565	379	1,333	1.1%
Dec - 2008	855	591	543	1,989	1.6%
Jan - 2009	634	479	365	1,478	1.2%
Feb - 2009	1,049	484	374	1,907	1.5%
Mar - 2009	993	718	387	2,098	1.7%
Apr - 2009	663	527	318	1,508	1.2%
May - 2009	723	786	319	1,828	1.5%
Jun - 2009	716	491	495	1,702	1.4%
Jul - 2009	869	658	429	1,956	1.6%
Aug - 2009	656	664	381	1,701	1.4%
Sep - 2009	540	516	377	1,433	1.1%
Oct - 2009	364	413	239	1,016	0.8%
Nov - 2009	537	526	357	1,420	1.1%
Dec - 2009	371	411	475	1,257	1.0%
Jan - 2010	327	437	375	1,139	0.9%
Feb - 2010	429	377	221	1,027	0.8%
Mar - 2010	539	646	340	1,525	1.2%
Apr - 2010	446	364	332	1,142	0.9%
May - 2010	389	485	296	1,170	0.9%
Jun - 2010	406	471	286	1,163	0.9%
Jul - 2010	419	395	295	1,109	0.9%
Aug - 2010	493	415	356	1,264	1.0%
Sep - 2010	497	452	348	1,297	1.0%
Oct - 2010	379	388	282	1,049	0.8%
Nov - 2010	360	443	172	975	0.8%
Dec - 2010	342	475	296	1,113	0.9%

Notes

Foreclosure data is grouped by zip code which may not follow municipal boundaries.

Notices of Default: Indicates that the property owner has missed at least one scheduled loan payment.

Notice of Trustee's Sale: A document announcing the public sale of a property to recover debt owed by the owner of the property.

Real Estate Owned: Property is now owned by the lender as a result of a foreclosure.

Data Source: RealtyTrac U.S. Foreclosure Market Report

Prepared On 6/27/2012 By PC

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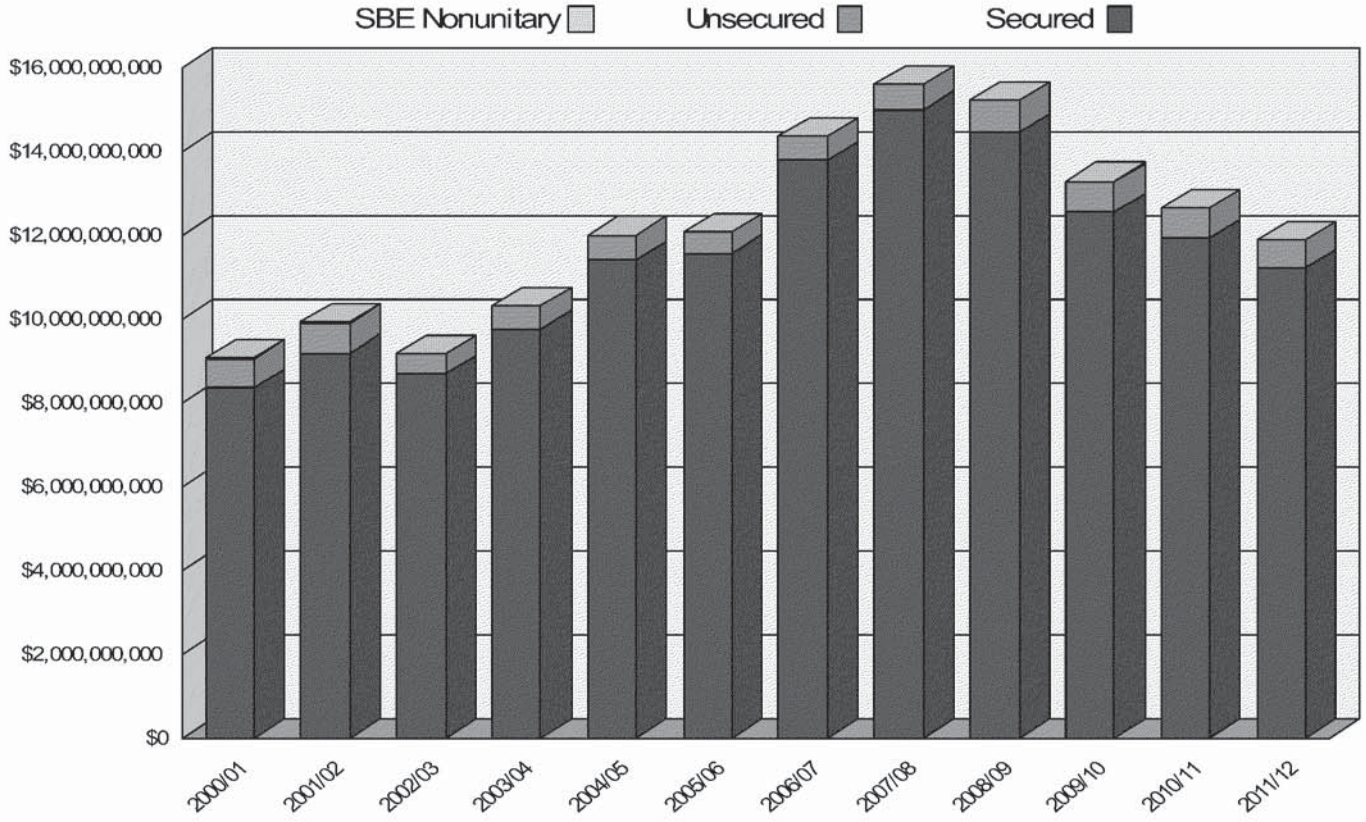
HdL COREN&CONE

THE CITY OF STOCKTON
FORECLOSURE ACTIVITY

Jan - 2011	347	426	312	1,085	0.9%
Feb - 2011	307	287	290	884	0.7%
Mar - 2011	358	325	208	891	0.7%
Apr - 2011	313	280	309	902	0.7%
May - 2011	293	365	197	855	0.7%
Jun - 2011	176	199	219	594	0.5%
Jul - 2011	310	420	248	978	0.8%
Aug - 2011	354	312	262	928	0.7%
Sep - 2011	342	232	201	775	0.6%
Oct - 2011	420	219	201	840	0.7%
Nov - 2011	424	375	256	1,055	0.8%
Dec - 2011	326	345	203	874	0.7%
Jan - 2012	292	390	247	929	0.8%
Feb - 2012	271	239	182	692	0.6%
Mar - 2012	305	237	143	685	0.6%
Apr - 2012	265	199	100	564	0.5%
May - 2012	276	203	146	625	0.6%

THE CITY OF STOCKTON
STOCKTON GENERAL FUND
NET TAXABLE ASSESSED VALUE HISTORY
2000/01 - 2011/12 Taxable Property Values

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2000/01	$8,351,814,369	$686,091,014	$13,062,223	**9,050,967,606**	
2001/02	$9,187,594,494	$711,601,955	$13,475,397	**9,912,671,846**	**9.52%**
2002/03	$8,678,310,158	$474,412,453	$10,732,114	**9,163,454,725**	**-7.56%**
2003/04	$9,758,786,248	$535,909,596	$9,662,342	**10,304,358,186**	**12.45%**
2004/05	$11,402,527,310	$577,525,841	$10,610,495	**11,990,663,646**	**16.36%**
2005/06	$11,568,493,332	$489,024,156	$9,937,398	**12,067,454,886**	**0.64%**
2006/07	$13,784,451,761	$555,349,785	$8,809,824	**14,348,611,370**	**18.90%**
2007/08	$14,991,501,086	$591,203,829	$3,952,665	**15,586,657,580**	**8.63%**
2008/09	$14,449,568,232	$755,335,083	$3,898,557	**15,208,801,872**	**-2.42%**
2009/10	$12,530,303,273	$728,050,379	$4,711,169	**13,263,064,821**	**-12.79%**
2010/11	$11,917,842,948	$714,945,954	$4,279,910	**12,637,068,812**	**-4.72%**
2011/12	$11,210,358,424	$661,152,468	$4,278,603	**11,875,789,495**	**-6.02%**



Data Source: San Joaquin County Assessor 0/ - 2011/12 Combined Tax Rolls

Prepared On 4/25/2012 By PC

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THERE IS NEW INFORMATION IN THIS REPORT- PLEASE READ

GENERAL FUND REVENUE SPREADSHEET INSTRUCTIONS

HdL Coren & Cone has prepared its annual general fund budget worksheet to assist you in estimating property tax and VLF (in-lieu) revenues for next fiscal year. While we have modified our tools for revenue modeling based on the unique set of circumstances we are anticipating for 2011-12, property tax projections are not a precise science. Budgeting during these challenging times will be made more so by that fact that banks are one again addressing foreclosures which were put on hold during the last quarter of 2010 and by the potential of continued administrative reductions performed by assessors per Proposition 8. Some cities have seen sales prices begin to move up during the 2010 calendar year in some neighborhoods and other cities continue to bump along the bottom. While this may forecast the fact that the bottom has in fact been hit and there may be some more positive sale prices on the horizon, assessors will be very cautious about starting their value recapturing per Prop 8 without some feel that the increased prices will not take another downturn in 2011.

We encourage you to contact us, ask questions, or argue with our reasoning on this model. As city staff you may have information that we may have not received and that information, once applied to the revenue model, may change the outcome. Do not hesitate to contact your local assessor's office for additional resources regarding potential appeal reductions that we don't have access to at this time. Some assessors are better at providing useful materials for budgeting than others due to their workloads.

To discuss your spreadsheet with HdLCC staff, please call 909.861.4335 or email us at the following:

Paula Cone - pcone@hdlccpropertytax.com
Marty Coren – mcoren@hdlccpropertytax.com
Nichole Cone – ncone@hdlccpropertytax.com
Cheryl Murase – cmurase@hdlccpropertytax.com
David Schey – dschey@hdlccpropertytax.com

This year the Assessor's applied CPI factor is POSITIVE and will result in an overall increase of properties not under the Proposition 8 reviews by **.753%**

Estimating property tax receipts is not an exact science. County assessors make changes to the property rolls daily to reflect transfers in ownership, new construction, assessment appeals, parcel splits and other dynamic changes. Although we are starting to see some sale price increases in some jurisdictions ***some assessors may continue to proactively apply reductions per Prop 8, to the 2011-12 roll, which recognizes the fact that the current market value of a property has fallen below a property's (Prop 13) trended assessed value. Once a Prop 8 value has been enrolled, the property's value must be reviewed annually to determine whether it's then current market value is still less than its Prop 13 factored base year value.*** **WE ARE MAINTAINING THESE VALUES FLAT IN OUR PROJECTIONS FOR 2011-12- NO POSITIVE CPI ADJUSTMENT AND NO FURTHER REDUCTIONS UNLESS THE ESTIMATED CHANGE IS LESS THAN -5%.**

The report that follows is a worksheet to assist in developing an estimate for projecting general fund property tax and VLF in-lieu revenues. The upper portion of the report includes trending information with regards to annual CPI adjustments, value changes as a result of parcel transfers (***in some cities this may be a negative figure as properties are transferred to lenders or others sold at values less than the assessed value enrolled by the assessor***), and shows the estimated impact of Assessor applied Prop 8 reductions only if sales prices have continued to move down by greater than 5% over the prior year's values. These reductions have been factored based on the ***median single family sales price during the second ½ of 2010 when compared to the second ½ half of 2009 as applied to already reduced properties.*** In many cases, parcels which were granted Prop. 8 reductions in the 2010-11 fiscal year may be reduced further only if market values have continued to decline during the 2010 calendar year. Our model holds secured personal property, unsecured and unitary values constant between the current and estimated tax year however we are seeing decreases in personal property as businesses put off new purchases and holding on to older equipment.

In cities with redevelopment agencies, base year values tend to remain constant unless new project areas are formed thereby adding additional values to the base year value pool.

Building permit or project completion information will be available from your city's building official. It is suggested that you use the 2010 calendar year for the 2011-12 new construction projections, and focus on ***completed new construction outside of the RDAs.*** New construction starts were still lagging in the 2010 calendar year.

Our model provides an estimated adjustment for potential successful appeal reductions for commercial or industrial property; however, the increased filings have not been heard in significant numbers to do accurate modeling for future years. We are anticipating assessment appeal filings and hearings to increase over the next two years and future reductions may hit future years particularly hard as the multi-year reductions are taken from a single year's apportionment.

There are two percentages shown on the report: one is the change in real property (land and structures) and the second is the change in overall values including business personal property. Personal property may depreciate instead of grow in this market and a more conservative number will be the real property reduction.

Once you have developed an assessed value number for 2011-12, this value is multiplied by 1% and then that product is multiplied by the "City Share of 1% Tax Revenue" noted in the middle of the report in calculating your estimated general fund tax revenue.

THIS REPORT IS ONLY A GUIDE. The most accurate estimate of future revenues would include factoring of some of the elements in this spreadsheet report against the actual secured and unsecured revenues received for the current year. Current year revenues plus trending information specifically related to appeals, property transfers and new development in the general fund portion of the city (non-redevelopment portion of the city) are all critical to the development of estimated general fund revenues.

Pooled revenue sources such as supplemental payments, redemption payments and one-time adjustments made by the auditor-controller should not be included in property tax revenue projections unless consistent amounts have been received annually and you have an expectation of continued receipt of these revenues at a similar level.

The VLF in-lieu estimate is based on the change in value in the entire city which may be a different set of values for cities with redevelopment project areas. This revenue source is now tied to property value change between tax years.

Finally, if you need assistance in calculating your city's voter approved debt projections, please contact one of the representatives noted at the beginning of these instructions.

HdL COREN & CONE

THE CITY OF STOCKTON
GENERAL FUND REVENUE ESTIMATE

2011/12 Revenue Estimate based on 2010/11 Values and Estimated Changes

	General Fund	VLFAA
General Fund and BY Values 2010/11	***$16,338,809,893***	
Citywide Net Taxable Value 2010/11		**$17,661,425,947**
Real Property Value (Incl. Prop 8 parcels)	**$12,010,570,111**	**$16,455,450,266**
CPI of Non Prop 8 Parcels (0.753%)	$54,486,020	$80,436,117
Transfer of Ownership Assessed Value Change	$640,129	($3,440,814)
Non SFR Appeals Exposure (0.0000% * Non SFR Value)	Not Available	Not Available
Est. SFR Prop 8 Red. Based on Recent SFR Price	**Budgeted Flat**	**Budgeted Flat**
Estimated Real Property Value	**$12,065,696,260**	**$16,532,445,569**
Base Year Values	$3,701,741,081	*Included in AV*
Secured Personal Property Value	$172,640,862	$395,028,538
Unsecured Personal Property Value	$449,577,929	$803,828,207
Nonunitary Utility Value	$4,279,910	$7,118,936
Enter Completed New Construction		
Estimated Net Taxable Value	**$16,393,936,042**	**$17,738,421,250**
Estimated Real Prop. Percent Change 2011/12	***0.46%***	***0.47%***
Estimated Total Percent Change 2011/12	***0.34%***	***0.44%***
Taxed @ 1%	$163,939,360	
Aircraft Value	$0	
Average City Share 0.169743465	$27,827,635	
Aircraft Rate (.01 * 0.333333333)	$0	
Enter Unitary Taxes Budgeted Flat		
Net GF Estimate for 2011/12	**$27,827,635**	
Enter Suppl. Apportionment Recd. in 2010/11		
Base Value of VLFAA		$18,534,224
Estimated Change to VLFAA		$81,551
VLFAA Estimate for 2011/12		**$18,615,775**

NOTES:

Base Year Values Entry: Base year values in redevelopment project areas tend to remain constant (no growth) unless new project areas are formed thereby adding additional values to the base year value pool. Large base year value pools proportionately reduce the actual value in the city general fund.

Completed new construction entry: if completed new construction has resulted in a sale of the property it is likely that the new value will appear in the value increase due to transfers of ownership entry and therefore should not be also included in the completed new construction value. Enter completed new construction between Nov. 2009 and Oct. 2010.

Appeals: Estimates are based on countywide averages. The values of all pending appeals are projected assuming 50% of outstanding appeals are heard and are as successful as prior heard appeals. Appeals are not available in all counties.

Estimated Assessor Prop 8 Reductions: Prop 8 reductions in value are TEMPORARY reductions applied by the assessor which recognize the fact that the current market value of a property has fallen below its current (Prop 13) assessed value. For 2001-12 prior prop 8 reductions are not included in the CPI increase, but are projected flat until the Assessor begins to recapture value after the economy improves and median sale prices begin to increase.

General Fund Revenue Estimate does not include any ad valorem voter approved debt.

Projections assume 100% payment of taxes. Delinquency rates of between 3%-4% are not factored.

The VLFAA estimate is based on the 0.753% cost of living adjustment to real property and value increases due to transfers of ownership only.

SB 2557 Administration Fees are not deducted from the general fund projections.

Data Source: San Joaquin County Assessor 2010/11 Secured and Unsecured Tax Rolls and Appeals Data, San Joaquin County Auditor Controller, DataQuick Information Services

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

Exhibit F

CITY OF STOCKTON
FY 2012-13 (ending September)
Preliminary Sales and Use Tax Revenues Projection
(Cash Basis)

Agency Budget Estimate for FY 2012-13		
Sales Tax Net		
Sales Tax In Lieu		
Total Agency Budget Estimate		
Total Payment From SBOE (Gross Before Triple Flip Deduction)		
Includes State and County Pools, Net of Admin Fee		
Current Quarter	4Q 2011	9,666,036
Previous Quarter	3Q 2011	9,001,582
2nd Previous Quarter	2Q 2011	8,924,207
3rd Previous Quarter	1Q 2011	8,058,424
Total Payments		35,650,250
Estimated FY 2011-12 Sales Tax (Before Triple Flip)		**$36,234,850**
Adjustments		
Economic Adjustments		
Autos & Transportation (+5.0%)		250,650
General Consumer Goods (+2.5%)		218,450
Business & Industry (+3.0%)		151,650
Pools (+3.0%)		125,100
Building & Construction (+3.5%)		116,150
Restaurants & Hotels (+3.0%)		89,100
Fuel & Service Stations (+1.0%)		52,900
Food & Drugs (+2.0%)		44,650
Other Adjustments (see attached)		105,500
Total Adjustments		1,154,150
Subtotal Point-of-Sale		37,389,000
Triple Flip Deduction		(9,434,735)
Net Point of Sale (75% Allocation)		27,954,264
Back Fill Payment		
Estimated FY 2012-13 SUTCF (Net of Admin)		9,343,273
Estimated FY 2011-12 True-Up Payment		708,611
Total Back Fill Payment		10,051,884
ESTIMATED FY 2012-13 SALES TAX REVENUES		**$38,006,148**
Rounded to Nearest Thousand		**$38,006,000**

Note: Does not include an adjustment for potential relocation of Staples Direct sales from Newark - estimated at up to $300,000 per quarter.

Other Adjustments	
Walmart Super Center - new 3 quarters	450,000
Liebherr Cranes Inc. - reporting error for 1-time purchase 4Q2011	79,300
Countywide Use Tax Pool - allowance for correction of 3Q2011 reporting error	(69,500)
J T Mc Kinney Company - audit adjustment 3Q11	(61,000)
Woosley Oil - unusually high payment 3Q11	(50,000)
Quick Stop - double payment 3Q11	(45,900)
Target - adjustment for impact of new Super Walmart	(40,000)
Diamond Foods - audit adjustment	(36,000)
S G Herrick Corporation - misallocation 4Q11	(32,000)
S G Herrick Corporation - allowance for correction of prior error	(32,000)
Universal Service Recycling - onetime payment 4Q11	(31,200)
FTB - onetime payment	(20,400)
Quest Industries - audit adjustment 3Q11 & 4Q11	(20,000)
Macsteel - misallocated payments 3Q11 & 4Q11	20,000
GHX Industrial - negative fund transfer 4Q11	17,300
Verizon Wireless - missing payment 4Q11	16,000
Philips Medical Systems - negative fund transfer	15,500
Big Valley Ford - high quarterly payment 4Q11	(10,000)
Shell - double payment 3Q11	(9,500)
Campbell Soup - fund transfer 3Q11	(8,500)
Delta Arco - new 1 quarter	8,000
Valero - late payment	(7,800)
Delta Thrift - late mayment	(7,100)
Denny's - missing payments 3Q11 & 4Q11	7,000
Rexel - closeout	(6,900)
Brookside Country Club - double payment 3Q11	(6,600)
Homegrown Indoor Garden - negative fund transfer 3Q11	6,400
Hanson Permanente Cement - audit adjustment	(6,000)
Bobst Group - onetime payment 4Q11	(5,300)
Apsla Inc - negative fund transfer 4Q11	5,200
Applebees - late payment	(4,700)
Hopson Enterprises - fund transfer 4Q11	(4,000)
GBP Silvercote - fund transfer 3Q11	(3,400)
McDonalds - new 1 quarter	2,500
West Coast Connection - closeout	(2,200)
Big Bobs Flooring Outlet - double payment 3Q11	(1,700)
Total Other Adjustments	105,500

HdL COMPANIES
ADJUSTED FOR ECONOMIC DATA

CITY OF STOCKTON
MAJOR INDUSTRY GROUPS - 13 YEAR HISTORY

Sales Tax by Major Industry Group

General Consumer Goods
Count: 2,841

Fuel And Service Stations
Count: 104

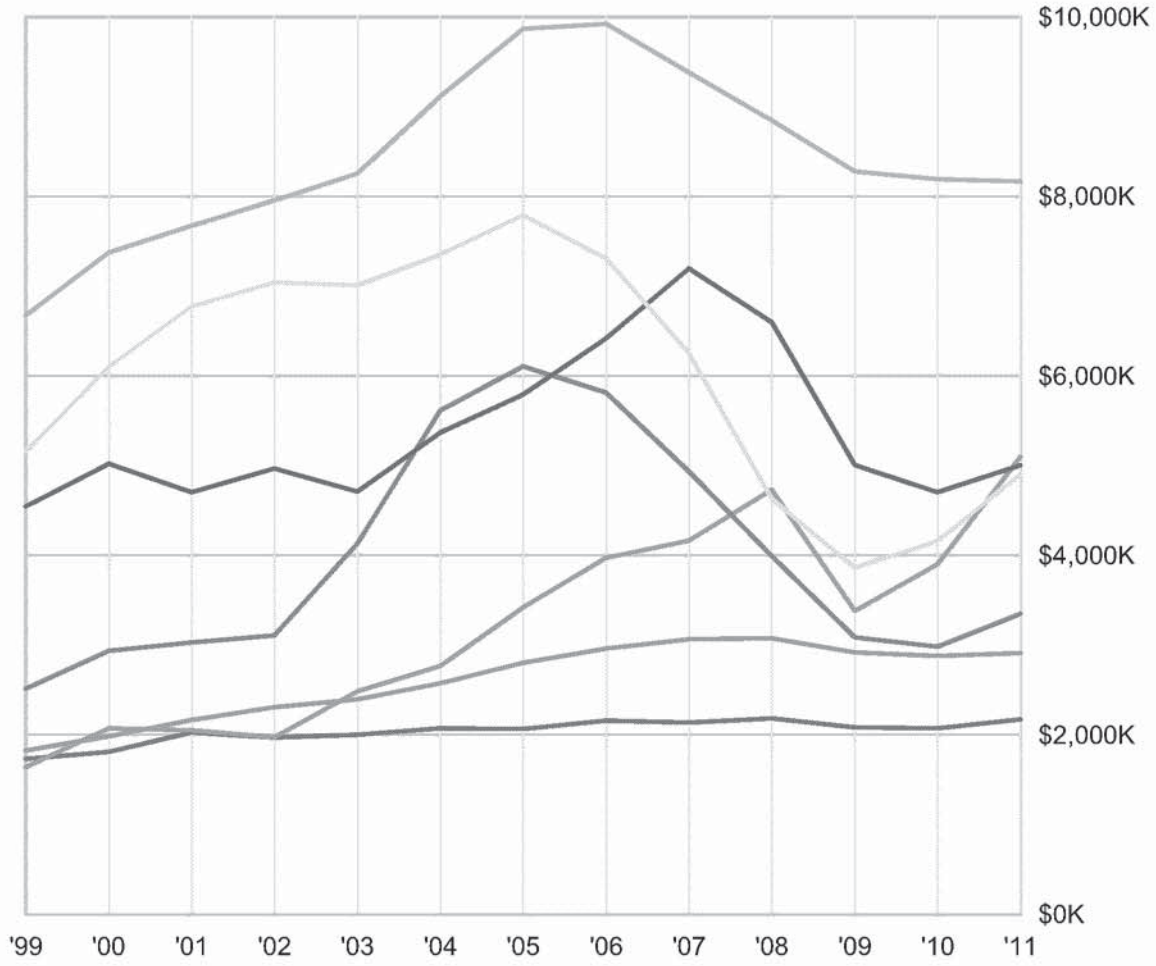
Business And Industry
Count: 1,206

Autos And Transportation
Count: 646

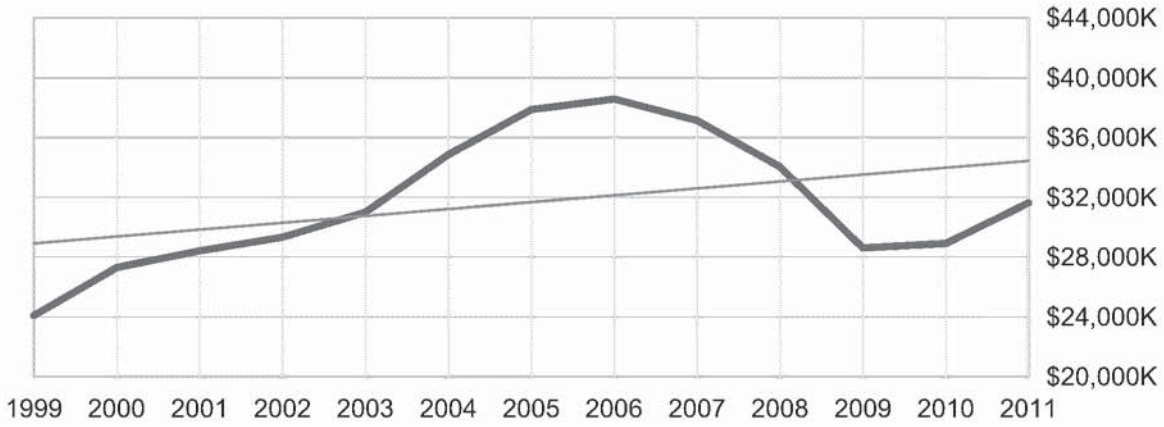
Building And Construction
Count: 248

Restaurants And Hotels
Count: 648

Food And Drugs
Count: 382



Agency Trend



Adjusted by moving retroactive payments into the quarter the sale occurred
Periods shown reflect the period in which the sales occurred - Point of Sale

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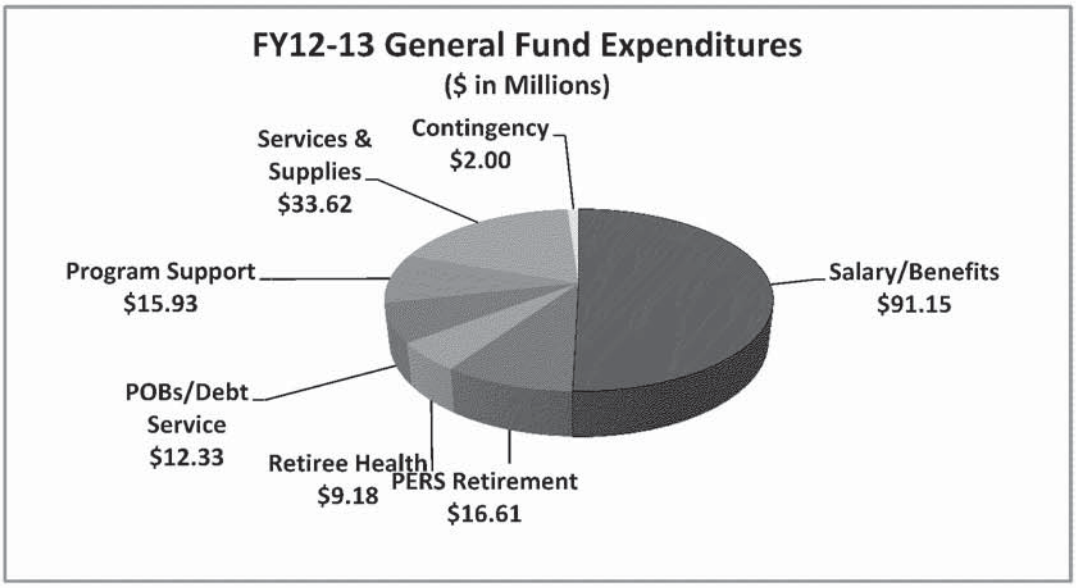
CITY OF STOCKTON
FY 2011-12 (ending September)
Mid-Year Sales and Use Tax Revenues Projection
(Cash Basis)

Agency Budget Estimate for FY 2011-12		
Sales Tax Net		25,612,500
Sales Tax In Lieu		8,537,500
Total Agency Budget Estimate		**$34,150,000**
Total Payment From SBOE (Gross Before Triple Flip Deduction)		
Includes State and County Pools, Net of Admin Fee		
Current Quarter	4Q 2011	9,666,036
Previous Quarter	3Q 2011	9,001,582
2nd Previous Quarter	2Q 2011	8,924,207
3rd Previous Quarter	1Q 2011	8,058,424
Total Payments		35,650,250
Adjustments		
Economic Adjustments		
Fuel & Service Stations (+8.5%)		205,350
Autos & Transportation (+7.5%)		177,650
Business & Industry (+4.0%)		97,550
General Consumer Goods (+2.5%)		97,550
Pools (+4.5%)		83,400
Building & Construction (+4.0%)		60,800
Restaurants & Hotels (+2.5%)		37,100
Food & Drugs (+3.5%)		36,150
Transfers & Unidentified (-100.0%)		150
Other Adjustments (see attached)		(211,100)
Total Adjustments		584,600
Subtotal Point-of-Sale		36,234,850
Triple Flip Deduction		(9,146,198)
Net Point of Sale (75% Allocation)		27,088,652
Back Fill Payment		
Estimated FY 2011-12 SUTCF (Net of Admin)		8,437,587
FY 2010-11 True-Up Payment		(45,586)
Total Back Fill Payment		8,392,001
ESTIMATED FY 2011-12 SALES TAX REVENUES		**$35,480,653**
Rounded to Nearest Thousand		**$35,481,000**

Exhibit G

EXHIBIT G



	11-12	12-13	$ Chng	% Chng	12-13 % of Total
Salary/Benefits	$85.43	$91.15	$5.71	6.7%	50.4%
PERS Retirement	$16.08	$16.61	$0.54	3.3%	9.2%
Retiree Health	$7.96	$9.18	$1.22	15.3%	5.1%
POBs/Debt Service	$9.97	$12.33	$2.37	23.8%	6.8%
Program Support	$13.23	$15.93	$2.70	20.4%	8.8%
Services & Supplies	$33.15	$33.62	$0.47	1.4%	18.6%
Contingency	$1.58	$2.00	$0.42	26.8%	1.1%
Totals	$167.38	$180.82	$13.44	8.0%	100.0%

Source: City of Stockton FY12-13 Proposed Budget

Exhibit H

FOCUS - 64 of 181 DOCUMENTS

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San Francisco Chronicle

The San Francisco Chronicle

APRIL 28, 2005, THURSDAY, FINAL EDITION

SECTION: NEWS; Pg. A1

LENGTH: 1481 words

HEADLINE: Mudville takes a mighty swing at glory;

Stockton's new ballpark is centerpiece of ambitious plans to renew downtown

SOURCE: Chronicle Staff Writer

BYLINE: Erin Hallissy

DATELINE: Stockton

BODY:
Nearly 120 years after mighty Casey struck out and broke the hearts of Mudville Nine fans, this city where the classic poem was set is finding a lot of joy in baseball.

A sparkling new ballpark on the waterfront opens tonight, when the Stockton Ports -- a Class A affiliate of the Oakland A's -- take the field before a full house of 5,200 fans for their inaugural home game against the San Jose Giants.

The team, which has been on a 19-game road trip to allow construction crews to finish Banner Island Ballpark, will be greeted with fireworks and festivities in a park featuring a "mini-monster" fence in left field, a barbecue pavilion in center and a possibility for splash home runs knocked into the water beyond right field.

"Really, it's the finest minor-league ballpark in the country," said Stockton City Manager Mark Lewis. "It's really stunning. And it's right on the water so some enterprising young minor-leaguer can blast one out to the water."

That may be putting a lot of pressure on players who haven't even seen the park, much less had chance to figure out some of its quirky angles, but ambitions are running high for the Ports.

Not only do locals want the team to have a winning season on the field and at the ticket counter, but they expect the baseball diamond to be the crown jewel in Stockton's aggressive efforts to inject new life into a downtown that has struggled for decades with deserted streets, abandoned buildings and crime. Those high expectations match those of the 5,000 Mudville Nine fans in "Casey at the Bat" who tried to will the team's best player into a game-winning hit, in the legendary poem by Ernest Thayer.

Despite Stockton's rich history as a bustling inland port and its strategic location on busy Interstate 5, the old brick business buildings and drab residential neighborhoods at the city center had for decades repelled most residents, who found more inviting places to live and shop.

"The downtown was in absolute shambles," Lewis said, recalling the recent past. Old residential hotels had broken windows and were home to thousands of bats. The once stately Hotel Stockton, built in 1910 in the Mission Revival style and listed on the National Register of Historic Places, was converted into county offices and then abandoned in 1991. Prostitutes hung out on streets, and homeless people drank in parks.

"When I was first mayor, you could come downtown and go 80 mph and not hit anyone," said former Mayor Gary Podesto, who began the first of his two four-year-terms in 1997.

Eager to reverse the long downhill slide in a city whose population has grown to more than 265,000, city leaders, notably Podesto and Lewis, pushed for an entertainment-based downtown revitalization using a combination of city redevelopment funds, bonds and partnerships with companies that added millions of dollars.

"Most downtowns will come back by using recreation and entertainment," Podesto said. "They're not going to be shopping meccas anymore."

A 16-screen movie theater opened in late 2003 and drew more than 1 million people to the city center in its first year. Last November, the city reopened its beautifully restored 1930 Art Deco theater, now named for Bob Hope, with a sellout opening night performance by comedian Jerry Seinfeld.

There are many more projects to spruce up blighted areas in what Lewis calls the largest redevelopment undertaking under way in California. Between public and private sources, more than $500 million is being spent to renovate or completely remake more than 75 city blocks with everything from high-density housing to offices, stores, restaurants and theaters. While some opposition was mounted against the aggressive efforts, especially when a downtown parole office was moved to an outlying neighborhood, there has mostly been wide public support for the plans.

"We're on a mission to rebuild this city," Lewis said. "If you haven't seen Stockton lately, you haven't seen Stockton."

Podesto is delighted that "there are actually traffic jams on weekends."

"The businesses are doing well. The restaurants are doing well," he said. "The goal was to get people to stay there beyond 5:30 at night. I know we're not a 24-hour city, but we could at least be a 12-15-hour city."

Now, some of those hours will be filled with sports. While the ballpark is opening first, construction is also well under way at the 11,000-seat indoor arena next door that opens later this year and will house minor league hockey, arena football and indoor soccer. The $115 million events center project, which includes a seven-story parking garage, has excited downtown businesspeople.

"I love looking out the window and seeing what's going on," said Dan Schroeder, president of the Stockton Chamber of Commerce and a partner in the oldest law firm in town, which has its offices near Banner Island Ballpark. "Now all of a sudden, there's excitement over there. I think everybody feels it. I could think of a lot worse things to do than going to a baseball game with family or friends."

Schroeder's firm bought four season tickets to Ports games, and thousands of other Stockton residents and businesses have shown similar support. The enthusiasm is far greater for Banner Island Ballpark than the Ports old home, Billy Hebert Field, a 1940s-era park in a residential neighborhood away from downtown and freeways.

Last year, the Ports averaged 1,440 fans per game. This year, the Ports expect to average 4,200 fans per game at Banner Island Ballpark. Opening Day tickets sold out in just a couple of hours, the four luxury suites were snapped up quickly, and sponsors have paid to have everything from the batting cage to the BBQ plaza carry their name. The city also is selling naming rights to the ballpark, so its days of being called Banner Island could be as limited as the scoreboard video that has been counting down the days and minutes to Opening Day.

"I think we're going to do a real good job attracting people from outside this community ... and letting people know that downtown Stockton is a lot different from the last time you saw it," said Stockton Ports general manager Mike McCarroll.

Tom Volpe, a Silicon Valley venture capitalist who bought the Ports three years ago, says he is so sure that the new ballpark will be successful that he put $1.2 million of his own money into the project. He's the only team owner in the 10-team Class A California League to do that; other cities have built new ballparks or renovated old ones with city money alone.

"I have zero doubt that this is going to be a major attraction for Stockton," Volpe said.

Volpe, who's from Boston and waxes nostalgic about Fenway Park, says features like the 13-foot-high mini-monster fence in left field, meant to evoke Fenway's storied Green Monster, will create the same fondness among fans at Banner Island Ballpark. Boosters liken the right field waterfront with its tantalizing opportunity for splash-landing homers to SBC Park in San Francisco, but minor leaguers might have a hard time hitting the ball 389 feet to the water.

"You always try putting in unique features, nooks and crannies," Volpe said. "It's going to be very distinctive."

That extends even to the concessions. For $5, fans will be able to get Stockton's local specialty -- deep-fried asparagus. Stockton is home to the popular Asparagus Festival, which last weekend drew about 100,000 people to

downtown.

Players may be stumped by some of the eccentricities of the outfield wall, which follow the modern trend of breaking the mold of cookie-cutter stadiums. In Stockton, that means a sharp corner in the left field wall and a curved area in front of the Jackson Rancheria "back porch," where fans will sit in rocking chairs. Balls that hit the fences may carom wildly.

City and team leaders are also excited about the Ports' new affiliation with the Oakland A's, which dropped its 30-year affiliation with the Modesto A's to move into the new Stockton ballpark. Over the years, the Ports were affiliated with out-of-state teams such as the Milwaukee Brewers and Texas Rangers. Modesto's team, which is now called the Nuts, is affiliated with the Colorado Rockies.

"It puts you kind of in an A's triangle," McCarroll said. "You can follow a player from Stockton to Sacramento where the Triple A team (the River Cats) is located to McAfee Coliseum" in Oakland, McCarroll said. "You can create a bond with that player."

For Volpe, who once owned the Visalia A's, another team in the California League, the experience of owning a minor-league team is fulfilling a baseball fan's fantasy.

"When I bought the baseball team, I thought it'd be an OK investment but a lot of fun," he said. "The fun aspect has far exceeded my expectations."E-mail Erin Hallissy at ehallissy@sfchronicle.com.

GRAPHIC: PHOTO (2), MAP, (1) Stockton's Banner Island Ballpark will open today with its Class A team, the Stockton Ports, hosting the San Jose Giants. / Mark Costantini / The Chronicle, (2) Richard Villalobos picks up his child, 1-year-old Atiana, a block away from the new ballpark. / Liz Hafalia / The Chronicle, MAP: The Chronicle

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HEADLINE: A Cutting-Edge City: Stockton?;
The long-beleaguered town is at the vanguard of the Central Valley's transformation from farm belt to the state's next big population center.

BYLINE: Sam Quinones, Times Staff Writer

DATELINE: STOCKTON

BODY:

Fifteen years ago, tiny Gleason Park told the story of this hard-luck Central Valley town: It teemed with hoodlums, hookers and crack dealers.

The city had battled to rid the park of its criminals but failed and ultimately gave up. For years, thugs and addicts freely shot, stabbed and robbed each other, blocks from the Police Department and City Hall. Nearby, pensioners huddled in houses they couldn't hope to sell.

Today, the criminals are gone. The city has razed the park's bathrooms, basketball court and benches, and plans to build a school and affordable housing in their place.

Gleason Park is one sign that a new attitude, like a sheriff with a tin star, has come to Stockton.

As the Central Valley grows away from agriculture into the state's next big population center, many farm towns are losing some of their rough edges. Stockton, a long-disparaged but once-vibrant city, is at the vanguard of the transformation.

Working-class Stockton (population 279,000) has California's highest crime rate and a long way to go. But if it once exemplified how a city could be overwhelmed by crack and gangs, defeatism and grime, it is now a case study in how small victories over blight, decay and criminality can refurbish a municipal

image.

The city applied the "broken windows" theory, championed by Los Angeles Police Chief William J. Bratton first in New York and then in L.A.: Clean up the minor blight -- broken windows, abandoned cars, graffiti-scarred walls -- and more serious issues of crime and decay will start to fade.

Stockton's homicides have dropped from 62 in 1990 to 41 last year, though the city grew by 70,000 residents. The overall crime rate dropped about 25%.

But most important, residents say, the feel of the city has swung from limp pessimism to the aggressive confidence of the city's early days.

Stockton has bet $126 million of taxpayer money on what officials believe is California's largest redevelopment project: a 5,000-seat baseball stadium and a 10,000-seat hockey, soccer and concert arena along the long-neglected delta waterfront. A Sheraton hotel and condominiums are under construction.

"It's absolutely amazing that Stockton is moving forward given the social challenges arrayed against it," said Robert Benedetti, a political science professor at the University of the Pacific in Stockton who has spent years studying the town and teaches a class on its politics.

"The story in part here is that we are a lower-class city that has survived and now is starting to do well against all sorts of difficulties," he said.

Born of the daring optimism that brought the early white settlers to California, Stockton formed in 1849 as a supply center for the 49ers who risked everything to mine the hills for gold.

Later, the town became a center of agricultural innovation and shipbuilding.

But Stockton's frontier atmosphere persisted for decades.

The city began to lose heart in the 1970s, when downtown was abandoned in favor of newer neighborhoods and shopping centers in the northern part of town. Several factories closed. By 1990, downtown hotels had become flophouses for sex offenders and junkies. Halfway houses dotted central Stockton, where property values collapsed.

The one man with plans to revitalize the downtown during those years was Eckhard Schmitz -- a pedophile, as it turned out. After proposing to redevelop the city's waterfront, he was convicted of molesting several boys but jumped bail and fled to his native Germany.

Meanwhile, the city struggled to absorb Mexican and Central American farmworkers, as well as Cambodian, Laotian and Hmong refugees. In the 1980s, it became one of the state's first major cities with no racial majority.

By the end of that decade, crack cocaine had arrived. Newly formed gangs battled for drug-selling territory. Latino street gangs warred with one another, and Southeast Asian gangs robbed refugee families in their homes.

Stockton set homicide records for four consecutive years -- from 1988 through 1991 -- while alternating with San Bernardino and Oakland in claiming the state's second-highest crime rate.

Amid the crime epidemic, the city cut its police force. "That was just almost insanity," said former Mayor Gary Podesto. "That took years to recover from."

The city's worst nightmare occurred Jan. 17, 1989, at Cleveland Elementary School. Patrick Purdy, a drifter with an AK-47, opened fire on a schoolyard of children at recess -- killing five and wounding 30 others and a teacher before killing himself. The event shocked the nation.

"That was a terrible blow to the feeling of the city," said Benedetti. "We were a place of pathology. We killed our kids."

In 1990, ABC chose Stockton to film a prime-time documentary about America's gun problem. A Stockton couple were shot to death in their home while watching the show.

As it became a town only a crime reporter could love, Stockton's native optimism vanished.

"No matter what you wanted to do, the answer was, 'That won't work in Stockton,' " said Podesto, a former supermarket owner who was elected mayor in 1997.

Residents debated what best symbolized Stockton's capitulation. Many believed it was the graffiti covering walls all over town that showed that Stockton, like a punch-drunk boxer, was too beaten to care.

In 1990, Joan Darrah, owner of a public relations firm, was elected mayor and began sprucing up downtown. She pushed a sales-tax increase to hire more police. She also organized an anti-graffiti committee and put Ann Johnston, a former city councilwoman, in charge.

Graffiti "may seem an inconsequential thing when we have heavy-duty crimes being committed," Johnston said. "But we said, 'Look, this is where it starts.' "

The task force organized graffiti cleanup days with hundreds of volunteers. The city and county enacted fines and community service duty for graffiti vandals. Finally, the city bought two trucks that went around town painting over graffiti.

By the time Darrah left office in 1997, Stockton had controlled its graffiti. Through the late 1990s, the city's crime rate dropped. Podesto was elected mayor, making the revival of downtown and the waterfront his priority.

"He instituted a style of governance that is a lot like football," said Mike Fitzgerald, columnist for the Record, the town's daily newspaper. "You huddle with the players, decide on the play, and then you barrel downfield knocking over anybody in your way."

Gone was the sentiment, common in the Central Valley, that government should be small.

Podesto and the council declined to approve multi-screen movie theaters outside downtown. They also hired Stockton's first lobbyists in Sacramento and Washington.

In 2001, believing inertia the gravest threat to the town, Podesto hired a city manager, Mark Lewis, with a bare-knuckles reputation for getting things done.

Together, they began closing old downtown hotels that housed parolees and addicts -- halted only when a federal judge ruled that the city had illegally displaced hotel residents. They aggressively enforced the housing code.

"A lot of people would say I was short on process," said Podesto, who was termed out of office in 2004. "I think our city had plenty of process for a long time but never got anything accomplished.... At some point, you have to be a bully."

Downtown property owners, encouraged by what the city was doing, formed an improvement district to beautify sidewalks and plazas.

Other factors helped: Nationwide, crack cocaine use declined and crime rates dropped. Thousands of Bay Area residents moved to town for the relatively cheap housing. Property values soared. That brought big box retailers and more sales-tax revenue.

Also, more Stockton residents, including many Mexican immigrants, bought homes. The children of Asian refugees grew to adulthood speaking English and became part of the town in a way their parents couldn't.

Meanwhile, the city shed its indifference toward education -- a legacy of its agricultural past.

In 2000, Podesto and then-Police Chief Ed Chavez led a campaign for the first school-construction bonds in decades. In the next five years, the district passed $200 million in bonds, matched by state funds, to renovate or build 27 schools.

With fewer addicts and parolees roaming downtown, Stockton's center has begun a renaissance. A 16-screen movie theater opened in 2004 and drew more than a million people in its first year. The historic Fox Theater was renovated and reopened in 2004 as a concert venue. The Hotel Stockton, built on the waterfront in 1909, is being remodeled.

The publicly funded Stockton Waterfront Events Center -- the baseball stadium and arena -- took just 17 months to build. The ballpark opened in April 2005 and is home to the minor league Stockton Ports. At the arena, the Stockton Thunder hockey team, also minor league, played its first game in December before a sellout crowd.

Since then, though, politics have shifted. In the last year, as he pushed projects through, City Manager Lewis emerged as the most controversial figure at City Hall.

To many Stocktonians, he seemed a throwback to an era when strong-willed bureaucrats -- L.A. water boss William Mulholland, for example -- single-mindedly pursued massive public projects. But his aggressive political style lost its appeal. The City Council, which had strongly backed Lewis, fired him unceremoniously in January.

"Folks are ready for a new way of doing great things," said Councilman Clem

Lee, who once supported Lewis.

Stockton's transformation is far from finished.

Its share of residents with college degrees is less than half the state average, according to the San Joaquin Partnership, which promotes economic development. South Stockton, historically poor, remains in dire need of economic development.

The town's crime rate, though it has declined, is still high -- the state's highest in 2004 -- a sign that the changes downtown haven't vanquished entrenched poverty, gangs and drug addiction.

"We're still on the journey," said former Police Chief Mark Herder, who retired in March. "We didn't get where we were overnight."

The idea of using government to promote city development seems to have to come to stay. Chavez, now mayor, recently proposed $110 million in redevelopment bonds to invest in the city's neighborhoods. Meanwhile, time will tell if the gamble on a 10,000-seat arena for hockey and concerts on the waterfront of a Central Valley town will pay off.

Stockton paid Neil Diamond $1 million to inaugurate the arena in January, losing about $396,000. On the other hand, a Bob Dylan concert at the arena in April sold out, and the Stockton Thunder outdrew every team in its league this season.

However, some city residents say all that is minor compared with the change in Stocktonians themselves, who, instead of joking about their city's blemishes, focus on the signs of its rebirth.

"If you walk into that Events Center, you can almost feel this reckless optimism of Stockton's Gold Rush predecessors," said the Record's Fitzgerald, a native. "There's a wicked fun in the air."

GRAPHIC: GRAPHIC: MAP: Stockton CREDIT: Los Angeles Times PHOTO: HOPING FOR VICTORY: A father and child enjoy a day at the 5,000-seat Stockton ballpark, home to a minor league team and part of a publicly funded, $126-million complex that also includes a 10,000-seat hockey, soccer and concert arena on the waterfront. PHOTOGRAPHER: Robert Durell Los Angeles Times PHOTO: COVERUP: A city employee removes graffiti. Chipping away at blight, decay and crime has helped polish Stockton's civic image. PHOTOGRAPHER: Robert Durell Los Angeles Times PHOTO: CATCHING ON: Resident Willie Lee fishes in a deep-water channel. Making the waterfront a more attractive lure has been central to the revitalization efforts. PHOTOGRAPHER: Robert Durell Los Angeles Times PHOTO: REVITALIZING: Children play in a fountain grid in downtown Stockton, which once exemplified how a city could be overwhelmed by crack cocaine and gangs, defeatism and grime. But it is now a case study in how small victories over blight, decay and criminality can refurbish a municipal image. PHOTOGRAPHER: Robert Durell Los Angeles Times PHOTO: (BD)THE PAST: A sculpture of a farmworker with a short-handled hoe, in a downtown park, is a remnant of Stockton's farming history, which the city is moving beyond. Formed in 1849 as a supply center for the 49ers who risked everything to mine the hills for gold, the town became a center of agricultural innovation and shipbuilding. PHOTOGRAPHER: Robert Durell Los Angeles Times

LOAD-DATE: June 25, 2006

Exhibit I

Exhibit I

Obligation	Outstanding Amount (1)	Insurer / Creditor	Leased Assets
2003 Housing COPs	12,970,000	Ambac	Maya Angelou Library Main Police Facility Fire Stations 1, 5 and 14
2004 Arena	45,590,000	NPFG	Stockton Events Center and Arena
2004 Parking Bonds	31,640,000	NPFG	Arena Parking Garage Ed Coy Parking Garage Market Street Garage
2006 LRBs	12,085,000	NPFG	Essential Services Building
2007 POBs	124,280,000	Assured Guaranty	None
2007 VRDOs	40,355,000	Assured Guaranty	400 E. Main Building
2009 PFFs	35,080,000	Franklin Advisors	Oak Park Van Buskirk Golf Course Swenson Golf Course
CA Department of Boating and Waterways	10,837,363.08	DBAW	None (Pledge of Marina Facilities)
Municipal Lease	757,618.14	Banc of America Leasing and Capital, LLC	Ladder Truck / Rescue Vehicle
Municipal Lease	891,482.35	Government Finance, Inc.	Admin Building IT Equipment
Municipal Lease	1,526,951.51	Wells Fargo Institutional Securities, LLC	Civic Auditorium HVAC
TOTAL	316,013,415		

Notes

(1) As of 6/28/2012

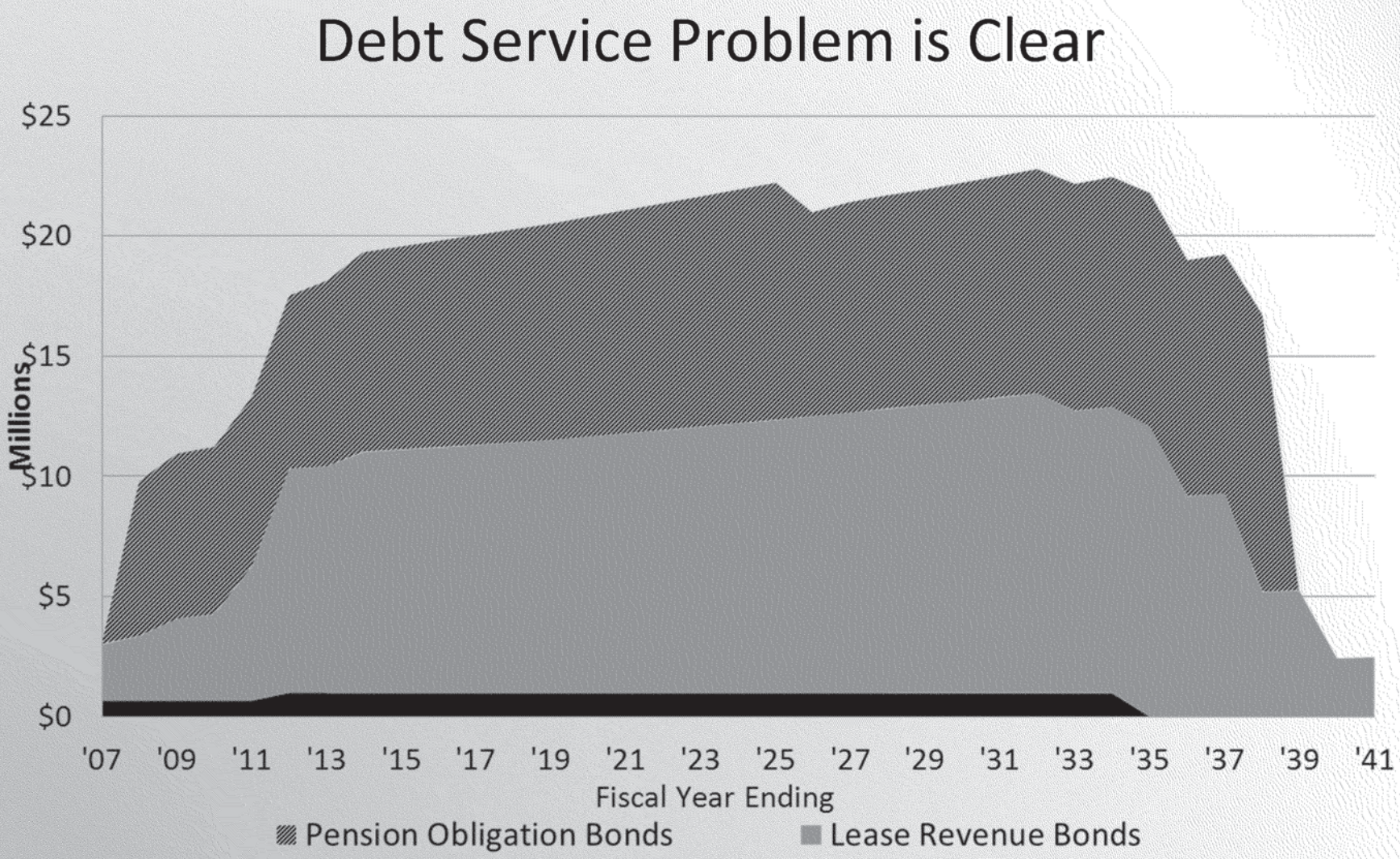
Debt Burden – Not Affordable

- Large increase in General Fund related debt payments since 2007 from $3M to $18M* in FY12-13 and then to $22M by 2025)
- New facilities/improvements included housing, events center/arena, parking garages, capital projects, essential services building, marina, new city hall, fire station, police communications center, 7 parks, street improvements
- City issued $125M in Pension Obligations Bonds (2007) to reduce its liability to PERS just before the PERS portfolio lost 1/3rd of its value
- Also the City was forced to settle a $20M Jarvis Taxpayer Association lawsuit to pay back funds it had transferred from its utilities in violation of the State Constitution.

*$13.6M in direct GF debt

Exhibit J

How Did We Get Here?



Public Hearing June 26, 2012

DECLARATION OF VANESSA BURKE IN SUPPORT OF CITY OF STOCKTON'S STATEMENT OF QUALIFICATIONS UNDER SECTION 109(C) OF THE UNITED STATES BANKRUPTCY CODE

Exhibits K Through N To The Declaration Of Vanessa Burke Are Attached To Separate Pleadings Being Filed Concurrently.