AGENDA ITEM 16.03

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Exhibits 1-9 – Due to the size of Exhibits 1-9 of Resolution 2, these documents have been saved as separate files that can be accessed online at the following links and are available for review in hard copy in the City Clerk's Office:

Exhibit 1 - Stockton Firefighter's Local 456 MOU
Exhibit 2 - Stockton Fire Management Unit MOU
Exhibit 3 - Stockton City Employees Association (SCEA) MOU
Exhibit 4 - Stockton Police Management Association (SPMA) MOU
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Exhibit 7 - Operating Engineers Local 3 Trades & Maintenance MOU
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Exhibit 10 - Description of changes to benefits for retired employees

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June 26, 2012

TO: Mayor and City Council

FROM: Bob Deis, City Manager

SUBJECT: **PUBLIC HEARING ADOPTING THE PROPOSED FISCAL YEAR 2012-2013 ANNUAL BUDGET; APPROVING THE 2012-2017 CAPITAL IMPROVEMENT PROGRAM; APPROVING THE 2012-2013 FEE SCHEDULE; APPROVING MODIFICATIONS IN TERMS AND CONDITIONS TO CERTAIN BARGAINING GROUPS; AUTHORIZING VARIOUS FUND TRANSFERS AND ADMINISTRATIVE ACTIONS INCLUDING APPROVAL OF MODIFICATIONS TO THE UNREPRESENTED EMPLOYEES COMPENSATION PLAN AND CONTINUANCE OF THE STATE OF EMERGENCY BASED ON FISCAL CIRCUMSTANCES THROUGH JUNE 30, 2012; AND DECLARATION OF EMERGENCY PURSUANT TO GOVERNMENT CODE SECTION 3504.5**

RECOMMENDATION

It is recommended that the City Council adopt three resolutions that:

Resolution 1 –

- Adopt the Fiscal 2012-2013 Annual Budget as revised by the changes described in this report as part of the City's Pendency Plan, also including the Proposed 2012/2013 Capital Improvement Program, the Proposed 2012/2013 Fee Schedule and the Constitutional Appropriations Limit in addition to other administrative details.

- Authorize continuation of the Fiscal Emergency through June 30, 2012 as adopted by Council Resolution #11-0114 on May 17, 2011.

Resolution 2 –

- Adopting modifications in terms and conditions of employment for Stockton City Employees Association (SCEA), Stockton Police Officers Association (POA), Operating Engineers Local 3, (Water Supervisors unit, Operations and Maintenance unit, Trades unit), Stockton Mid Level Managers and Supervisors Association (B and C), Stockton Police Managers Association (SPMA) and Stockton Fire and Fire Managers units, as attached and that are incorporated into the Pendency Plan and declare under government code section 3504.5 emergency due to bankruptcy with respect to the need to immediately implement changes in terms and conditions while continuing to meet and confer with City employee organizations.

- Adopting modifications to City Retiree Medical Benefit by reducing City contribution as attached, effective July 1, 2012, and eliminating City contributions on June 30, 2013.

HEARING TO CONSIDER PUBLIC COMMENTS REGARDING THE PROPOSED 2012-2013 ANNUAL BUDGET AND OTHER RELATED ACTIONS
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Resolution 3 –

- Approve Modifications to the Unrepresented Management/Confidential and Law Employees' Compensation Plan.

Summary

This report proposes to take a number of actions related to the City's budget that combined represent the City's financial plan for Fiscal Year 2012-13. The City's proposed budget submitted to Council by the City Manager on May 15, 2012 included a plan for all of the City's funds for Fiscal 2012-13. It was noted that the General Fund remained out of balance by $26 million while the City worked through the confidential AB 506 mediation process in an attempt to avoid bankruptcy and restructure financial obligations that would balance the fund. While that mediated process continues, the City must present a balanced financial plan for the General Fund that allows the City to continue to provide services beginning July 1, 2012. This Pendency Plan is the City's budget while it is under chapter 9 protection and is presented for Council consideration as part of this staff report.

The Pendency Plan provides a balanced General Fund through cost reductions to labor, retirees, debt and other obligations, the details of which are provided below and in the Exhibits to Resolutions 1 and 2. In addition to the Pendency Plan, several other actions are proposed as part of the 2012-13 budget. One such action includes adopting the proposed budget for the solvent funds (those not affected by insolvency). It should be noted that solvent funds may experience some beneficial impact of the Pendency Plan changes due to organization wide changes to labor agreements. Other actions proposed also include approval of the Capital Improvement Program and the City Fee Schedule.

The Unrepresented Employees compensation plan is also proposed as part of this item as it relates to balancing the City's budget. Changes proposed as part of this plan are consistent with other changes proposed for labor costs in the Pendency Plan. The budget revisions described later in this document contain reductions imposed through the Pendency Plan and through adoption of the Unrepresented Employees Compensation Plan.

Finally, this report will serve as the quarterly update regarding the status of the City's 2011-12 General Fund as required by the declaration of the state of fiscal emergency declared by the City Council on May 17, 2011 date by Resolution #11-0114.

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DISCUSSION

Background

The City of Stockton has reached a turning point in its history. Years of confidence in Stockton's potential grew into "irrational exuberance" during the housing boom. That phrase was coined by Federal Reserve Bank Chairman Alan Greenspan in 1996 to describe periods of excessive growth in asset values. Subsequently, the technology stock bubble and crash and the housing price bubble and crash proved that Chairman Greenspan's belief that asset bubbles were not dangerous to the general economy was mistaken. City decisions based on that exuberance have now exhausted the City's general financial reserves and burdened it with obligations it cannot pay, obligations that exceed its General Fund resources by $26 million in Fiscal 2012-2013 and that, unless addressed, will continue to grow in future years.

The City enjoyed a home building boom early in the past decade that prompted leaders to undertake long delayed plans to renew and revitalize its downtown and neighborhoods with amenities and to build infrastructure that would serve the growing population that reflected its important position in the Central Valley. Unfortunately, when the boom ended, Stockton (along with many other cities in the South and West) found itself terribly exposed to the combined impacts of the Great Recession, the collapse of the housing market and the banking crisis of 2008-2009. Revenues plummeted, borrowings came due and staff additions, combined with generous pay and benefit packages, became unsupportable. As noted in the report considered by the City Council at its June 5, 2012 meeting (included as Attachment A) Stockton has the highest foreclosure rate, one of the highest ratios of "underwater" mortgages and one of the highest unemployment rates in the country.

This Council has had to deal with plummeting revenues and a highly leveraged financial structure designed to backload repayment that increased the City's vulnerability to the economic storm. Despite aggressive efforts to reduce expenditures and put the City's financial house in order, the City is insolvent. During the last two years it became clear that past weak financial management practices concealed problems with inaccurate asset values and understated liabilities in the City's balance sheets and that its contracts for post-employment benefits and debt entered over the last 20 years cannot be supported if the City is to continue delivering services crucial to protecting the health, safety and welfare of the community. Poverty surged and the City has few resources to support its most vulnerable citizens. At the same time, drug and gang activity have left the City with the second highest murder rate in California and a ranking as the tenth most dangerous city in the country in terms of violent crime.

As described in extensive reports to the City Council on February 28, 2012 (including an independent analysis by expert consultants), May 15 and June 5, 2012, the City is insolvent. Now, only the difficult process of restructuring its long-term financial obligations and personnel costs will enable the City Council to protect the community and make sure that the City emerges from this financial crisis as a viable, sustainable institution. The City Council began that work over three months ago when it authorized the City Manager to convene the mediation process required by Assembly Bill 506 (AB 506) a law intended to avoid bankruptcy or lessen its impact and duration. The law went into effect on January 1st of this year. The City's AB 506 process will end on June 25, 2012, using the full 90-day mediation period provided for by the law.

The City, its employee unions, and its creditors, working with the mediator, Ralph Mabey, a distinguished attorney and former U.S. Bankruptcy Judge, have worked hard to use the AB 506 mediation process to avoid bankruptcy. Many hours have been spent providing information and analysis to the over 100 people involved in the process. Even more time has been spent, often late into the night, in mediation trying to reach agreements that would restructure the City's unsustainable financial obligations. Negotiations continue as this report is being drafted. By the time the City Council hears this item, we are hopeful that we will have reached tentative agreements with some creditors. On June 26th, the City's restructuring counsel, Orrick, Herrington and Sutcliffe will report on the status of those negotiations and any tentative agreements that have resulted from the process.

At this time, however, the City cannot assume that agreements reached will enable the City Council to completely close the budget gap. The City must be prepared to balance its budget through a Pendency Plan implemented as it seeks protection under chapter 9. The alternative to a Pendency Plan that imposes selective reductions in the City's financial obligations are deep service reductions that are simply unacceptable because they are dangerous to our citizens or they threaten the future economic viability of the City. Should any tentative agreements reached in the AB 506 process be approved by the parties, they will be honored and will contribute to the City's ability to use bankruptcy as efficiently and expeditiously as possible. If agreements are reached and ratified with some or all of creditors after adoption of this agenda item and its contents, those new Memoranda of Understanding or agreements would modify the actions in the Pendency Plan and would go into effect after July 1, 2012.

Without the changes incorporated into the budget as part of its Pendency Plan, the City cannot adopt the balanced budget required by its Charter and the State Constitution. This would affect its ability to pay its employees and suppliers and

would interrupt critical service delivery on the first day of the fiscal year, July 1. **In fact, by approving this Pendency Plan, your Council will be protecting critical services and the Stockton citizenry will see no measurable change in services on July 1st.**

2012-13 Budget, Capital Improvement Program, Fee Schedule and Appropriation Limit

The proposed budget was delivered to Council on May 15, 2012. On June 11 and on June 18, Council Study Sessions were held to review the proposed budget in detail.

The City's annual operating budget presents proposed appropriations for all funds of the City. The citywide budget totals $548 million before balancing measures implemented in the Pendency Plan and excluding appropriations for the separate Redevelopment Successor Agency. Of that total, Internal Service Funds that pay many of the support costs for City operations represent $124 million of charges to other funds within the City. Another $29 million shown in the citywide total appropriations represent interfund transfers that are offset by estimated revenues and other sources of funding. This means the net unduplicated expenditure appropriations after applying all balancing measures in the Pendency Plan described below total $368 million of which $155 million are in the General Fund. This is a $7 million reduction from the Fiscal 2011-2012 Adopted Budget total.

Some of the remaining funds for libraries, recreation, golf and entertainment venues depend on the General Fund for support, but most are solvent and not negatively affected by insolvency or restructuring. With few exceptions Pendency Plan adjustments benefit these solvent funds because of reductions in personnel costs. The baseline budgets of solvent funds were discussed in detail in City Council Budget Study Sessions on June 11 and June 18.

The City's Capital Improvement Program (CIP) is a five year plan that addresses facility and infrastructure needs for the City. Total project costs for the five years are $697 million of which $209 million have identified funding sources. The first year of the CIP is appropriated as part of the approval of the 2012-13 Budget. The bulk of the funding for Capital Improvements come from restricted sources such as Measure K, a half-cent voter approved sales tax for street improvements or from the City's utility funds restricted for improvements to the utility systems.

Although the CIP included $1,575,000 from the General Fund in Fiscal 2012-13, the Pendency Plan reduces this amount by $1 million to only $575,000. This level and the higher level are far below the amount needed to address existing

deficiencies or ongoing needs for maintenance of capital assets essential to functions funded through the General Fund. Highlights of the Capital Improvement Program are discussed in the transmittal letter and on pages 3-7 of the 2012-2013 Capital Improvement Program.

The 2012-2013 Proposed City Fee Schedule is largely unchanged with the exception of ten adjustments to fees, seven of which are set by other agencies or by contract terms. New City initiated fee increases equalize library late fees for children and adult materials and implement fees relating to the new program of checking out e-readers. Municipal Utilities Department fee increases already approved by the City Council in previous years will take affect this year. Refer to page 3 of the 2012-2013 Proposed Fee Schedule for more details.

An amendment to the California Constitution intended to limit the growth in local government spending requires establishment of a maximum limit for expenditures from general taxes. The limit is indexed to specified growth factors approved by the Legislature. The City's annual appropriation limit has been calculated in the amount of $256,480,000 for 2012-13 pursuant to the requirements of the California Government Code. This limit pertains to appropriations from general taxes and is far above the general taxes the City has available to appropriate. The City of Stockton uses the "change in California per capita personal income" for the "change in cost of living" component of the calculation of the appropriation limit. The growth of the index and recent declines in tax revenues leave the appropriation limit much higher than the general taxes available for expenditure.

The Pendency Plan

The Proposed Budget included a General Fund deficit of $26 million and indicated that the balancing plan would be forthcoming either though successful renegotiation of financial obligations as part of AB 506, or through a contingency plan to close the gap through filing for bankruptcy protection should that become necessary. That contingency plan is known as the Pendency Plan.

The Proposed Budget presented on May 15, 2012, and the amendments to the Proposed Budget contained in this document, together, represent the City's Fiscal 2012-13 Budget and will serve as its Pendency Plan during bankruptcy in Fiscal 2012-13 should the AB 506 process not produce savings that will allow the City to balance its budget. The Pendency Plan represents the spending levels the City needs to implement to become and remain solvent. Those spending levels are lower than the levels that would be required to deliver adequate services and meet all the requirements of the City's contractual obligations. Spending levels adequate to pay contractual obligations would exceed revenues

and there are no reserves to make up the difference. The California State Constitution and the City Charter prohibit the City from adopting a budget that is out of balance, preventing the City from making expenditures on the first day of the fiscal year unless the budget is balanced. Without restructuring its finances in the AB 506 process or seeking the protection of chapter 9, the City could not pay its employees, retirees, bondholders or vendors. This would result in uncontrolled default and, potentially, a collapse of public services.

Bankruptcy protection assures that this will not happen in Stockton, though it is clear that creditors will not recover 100 cents on the dollar for their claims. The term "Pendency Plan" was developed in the City of Vallejo chapter 9 case to describe the plan the City would operate under pending the completion of the bankruptcy process. Amendments to the plan or extension of the plan into future fiscal years could occur. Because the Great Recession struck Vallejo after it filed for bankruptcy protection it had to make many changes in its plan to adjust to worsening economic conditions.

During the period the City operates under the Pendency Plan in bankruptcy, the differences between payments required by contracts and the amount actually paid become claims in bankruptcy and are resolved through negotiations and, ultimately, the Plan of Adjustment submitted to the creditors for approval and to the bankruptcy court for confirmation. In Vallejo, after three years, all classes of creditors voted to accept the Plan of Adjustment; however, under the Bankruptcy Code, the court can confirm a Plan of Adjustment even if some classes of creditors disapprove (a process known as "cram down").

The Vallejo chapter 9 case took many months because suits determining General Fund access to restricted fund resources and issues regarding bankruptcy court jurisdiction and California labor laws had to be decided. We hope decisions in this case will provide the appropriate guidance in our case and reduce the litigations costs while in bankruptcy.

Amendments to the Proposed Budget

This report describes changes to the proposed budget required for solvency in the next fiscal year under the protection of chapter 9. The changes are based on adjustments intended to implement important principles that have guided the preparation of the Proposed Budget, especially in the General Fund, and the City's proposals in the AB 506 process. In addition minor technical corrections in estimates and calculations have been included. The changes described below will be familiar to the participants in the AB 506 process. A description is included below of these principles and how they play out in the budget balancing plan.

Health, Safety and Welfare – Protecting the health, safety and welfare of the community continues to be the top priority for the financial restructuring process. Service levels are inadequate throughout the City, though public safety has received special attention as the City balances competing demands for resources. Given the extremely high crime rates and very low police staffing levels, the foundation of the City's future must be safety, and the City's actions to assure that grant funded public safety positions continue to receive funding as grant funds expire reflect the commitment to that. Due to extreme turnover associated with past pay concessions, the base budget also includes funding to assure that the Police Department has resources to recruit and train new officers to fill vacancies, to take advantage of new staffing grants and to assure that services are available for the community. This principle shaped the decision to make no significant service reductions in the Pendency Plan.

Minimize Impact on Future Services - The future also depends on stewardship of public assets in the form of maintenance, repair and replacement. Unfortunately, funding limits do not allow even the modest expansion of these investments in the Pendency Plan despite ongoing deterioration of assets. In fact, some minor reductions in Public Works contract work and transfer of right of way median maintenance to Gas Tax funding is included. Other services that will assure the City can rebuild its reputation as a great place to live and invest continue with only very minor cost reductions planned for libraries, recreation and parks and entertainment venues. The City's water and wastewater utilities and other solvent funds continue to operate normally with only indirect impacts from the insolvency of the General Fund and the Pendency Plan. Solvent funds, like utility enterprises will actually benefit from some of the organization wide reductions made as part of the Pendency Plan. Given the huge staffing reductions in the past (25% fewer Police Officers, 30% Fire staff reductions and a 43% reduction in non-safety staff) we can say the average Stocktonian will not see measurable service reductions on July 1st.

Maintain Competitive Compensation Packages – It is essential that the City maintain competitive pay and benefit programs to attract qualified, motivated employees. In the past, the City's pay and benefit packages were among the most generous in its market area, sometimes significantly above market. The City has, through negotiation or through imposition of reductions covered by its fiscal emergency powers, reduced compensation and benefit packages for its employees. These include reduction of over-market premium pay amounts, employee payment of their PERS contributions, capping contributions to employee health plans and reducing costs by redesigning plans, limiting sick leave pay outs, seeking new, lower pension benefit levels for new hires and eliminating retiree health insurance for new hires. The additional, but selective,

changes here continue to address situations where compensation is above market and has created excessive liabilities that cannot be paid without unacceptable reductions in service. The primary reductions here relate to retiree medical program costs and longevity pay.

Balance Costs and Service Impacts of Reductions – Cost reductions in the Pendency Plan have been designed to minimize service impacts. As noted above, reductions in post-employment benefits like retiree medical costs that far exceed the benefits provided by other agencies will not affect service levels. In comparison, reducing payments to CalPERS could have immediate direct impacts on current and former employees and would make recruiting and retaining qualified staff nearly impossible. Some market-based pay reductions have a large impact on long-time employees in the Police department who are essential to training and managing new officers. The full impact of the reductions would otherwise exceed 23% of total pay, but have been offset during the City's transition to market-based pay packages.

Build Toward Fiscal Sustainability – The Council's often-stated goal for the restructuring process has focused on sustainability. This means building adequate reserves, covering the full cost of operations, proper stewardship of public assets and competitive compensation and affordability over the long run. Inadequate financial resources result in compromises in the Pendency Plan. Elements of the Proposed Budget aimed at stabilization and sustainability like maintenance investments and reduction of temporary furlough hours are deferred in the Pendency Plan. Other sustainability measures like restoration of adequate, pay-as-you-go funding of internal service costs and the basic commitment to competitive compensation remain. The Pendency Plan must appropriate funding for restructuring expenses because sustainability is central to the City's effort to return to fiscal health.

General Fund Spending Changes Implemented in this Pendency Plan

The principles built into the Pendency Plan come in different forms. They include suspension of debt payments and payments for legal claims, reductions in payments for retiree medical benefits, continued reductions on pay and benefits imposed under emergency powers, reductions to over market compensation components, transfers of eligible costs to other funds, necessary legal and financial consulting services to pursue the City's interests via bankruptcy and, possibly, via labor negotiations and limited revenue increases. These changes eliminate the $25.9 million General Fund gap identified in the baseline proposed budget leaving a fund balance of $39,000. The only buffer against risk beyond the fund balance is the modest $2,000,000 budgeted contingency representing 1.3% of expenditures and transfers in the General Fund

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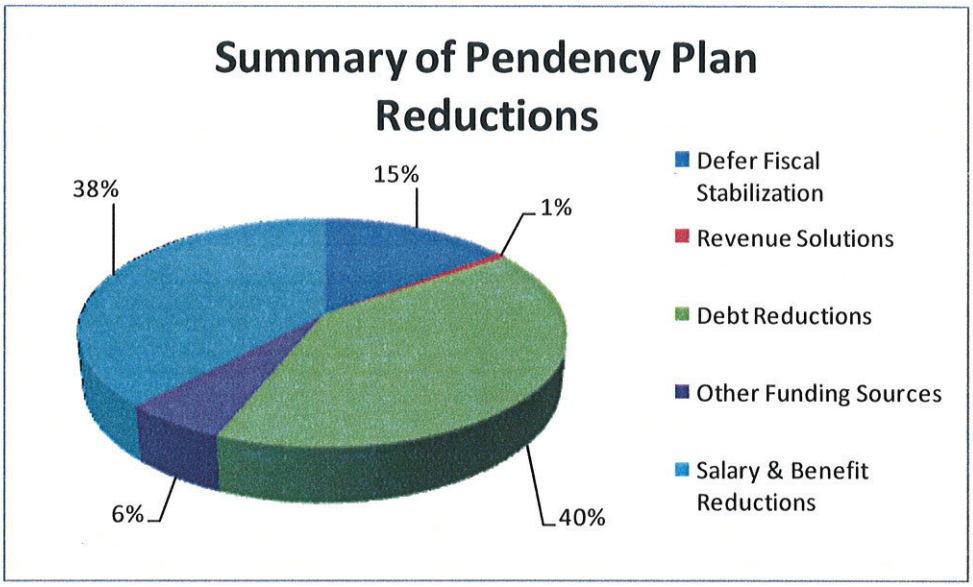
Descriptions of the changes to the May 15 proposed budget follow. Impacts are ongoing in nature unless otherwise noted. Exhibit 1 to Resolution 1 shows the impact of these changes on the General Fund appropriations in the Proposed Budget.



Defer Fiscal Stabilization and Service ($4,834,000)

1. Reduce $295,000 in appropriations for contracted maintenance of trees, parks and HVAC in Public Works consistent with 5% reduction level identified in prior reports.
2. Reduce $110,000 in service and supplies appropriations in Recreation consistent with 5% reduction level identified in prior reports.
3. Suspend planned $1,000,000 increase in critical preventive maintenance for one year (one-time savings).
4. Delay implementing phase-out of furloughs over two-year period ($1,129,000 annual savings in each of next two fiscal years).
5. Delay remaining financial stabilization measures that further increase preventive maintenance and provide minimal funding for actuarial liability in the Worker's Compensation Fund thus reducing planned expenditures by ($1,800,000 one-time savings).

Revenue Solutions ($239,000)

1. Increase estimate for Police Code Enforcement revenue by $150,000. Initial budget estimates included overly conservative estimate of the impact of removing property liens from Teeter plan funding by San Joaquin County.

2. Increase in Police parking citation fine that will result in an additional $25,000 in revenue to reflect a State surcharge on parking citations.
3. Increase transfer in from Central Parking District Fund by $64,308 to reflect budgeted debt service expense for the Stuart-Eberhardt Building (SEB).

Debt Expenditure Reductions ($11,990,000)

Debt Service ($10,180,000)

1. Eliminate appropriation for General Fund share of debt service on 2009 Lease Revenue Bonds - $632,000.
2. Eliminate appropriation for payment of debt service on the State Department of Boating and Waterways Marina loan - $685,000.
3. Eliminate appropriation for repayment of unsecured note for purchase of the Main Hotel - $500,000.
4. Eliminate appropriation for payment of debt service on 2007 Variable Rate Debt Lease Revenue Bonds relating to 400 E. Main building - $2,588,000. Continue appropriation of approximately $21,000 per month for the City IT Division's occupancy of space in the building at market rental rates pending discussions with Wells Fargo.
5. Eliminate appropriations for payment of debt service on 2007 Pension Obligation Bonds - $5,775,000.
6. Make no change in the Proposed Budget's elimination of appropriations for debt service payments on the 2004 Lease Revenue Bonds secured by downtown parking structures.

Other Contracts and Claims ($1,810,000)

1. Eliminate $1,127,000 in General Fund and General Capital Improvement Fund payments to MUD funds pursuant to the Jarvis Taxpayers Association judgment.
2. Eliminate $313,000 in payments relating to the Marina Towers settlement.
3. Reduce subsidy of Entertainment Venues by $370,000.

Other Funding Sources ($1,743,000)

1. Increase transfers from Stormwater Enterprise Fund by $300,000 (one-time) to continue loan repayment for an additional year.
2. Shift $300,000 in eligible Police and Fire staffing costs to Measure W funding due to availability of additional sales tax funding.
3. Shift $125,000 in eligible right-of-way tree maintenance costs from the General Fund to gas tax funding.
4. Decrease program support to Library by $23,000 to reflect fine fee increases proposed this year.

5. Reduce subsidy to the Entertainment Venues fund by $44,650 to reflect the correction of an internal service fund charge which has been moved to the appropriate fund.
6. Reduce subsidy to Successor Agency by $250,000 to reflect increased estimate of available tax increment.
7. Reduce the total allocation for grant matching by $50,000.
8. Reduced the Human Resources budget by $150,000 to correct for an expense that was budgeted in two different General Fund departments.
9. Re-appropriate the $500,000 estimated unspent balance of funds set aside for AB 506 costs.

Salary and Benefit Reductions ($11,213,000) in addition to existing labor impositions)

1. Eliminate $569,000 budgeted for the vacation sell-back program by the Police Department.
2. Eliminate eligibility for 12-month industrial disability payments for non-safety employees - $150,000.
3. Reduce Other Pay and Benefits by $1,208,000 consistent with Attachment B.
4. Reduce overtime, standby and call back pay by $595,000 consistent with Attachment B.
5. Reduce payment for compensated absences by $1,593,000 consistent with Attachment B.
6. Reduce the operating transfer to the Library Fund by $45,000 to adjust for the salary and benefit savings in that fund.
7. Reduce appropriations for retiree medical benefits by $7,053,000 for one year before phasing the benefit out entirely in Fiscal 2013-2014. See Exhibit 10 to Resolution 2.
8. Reduce pay and benefits consistent with the reductions made during the fiscal emergency for SPOA and SCEA. Savings are estimated at $15.3 million in fiscal 2012-13. No funding for payment of any claims, estimated at $12.5 million (General Fund only), relating to lost wages and benefits has been included. These provisions were included in assumptions used to develop the baseline budget and will continue in the Pendency Plan.
9. Note that detailed changes in pay and benefit plan provisions for all units are detailed in Exhibits 1-10 to Resolution 2 and Exhibit 1 to Resolution 3.

Added Expenditures ($3,570,000)

1. Add $70,000 in appropriations for miscellaneous technical corrections in the Proposed Budget.
2. Appropriate $3,500,000 for chapter 9 restructuring costs. Total cost estimates for chapter 9 work are being assembled as are analyses evaluating appropriate chapter 9 cost shares from non-General Fund

sources. Because of the uncertainty inherent in the chapter 9 process, staff expects that this number will be revised as legal issues develop.

Indirect Impacts on Other Funds

The Pendency Plan focuses on the insolvent General Fund but has implications for other funds. All reductions apply to employees equally regardless of their fund assignment or allocation, and all funds will have cost reductions associated with personnel cost changes. Potential changes in required subsidy levels from the General Fund resulting from those savings have not been programmed at this time.

In addition, some restricted funds like parking revenues and public facilities fees have provided funding to pay eligible debt service obligations of the General Fund. With the exception of the Arena project, none of these funds are pledged for the repayment of debt. The City will appropriate, but will not make, partial payments of debt service with the proceeds of these unpledged restricted revenues until agreements have been reached with capital markets creditors. Release of those funds may be authorized by the City Council in the future based on agreements with creditors.

The primary impact of these Pendency Plan changes on other funds is a reduction in costs related to labor changes and retiree changes. A small part of these significant changes will be offset by allocations of costs relating to the chapter 9 process and relating to continuing efforts to work with investors, rating agencies and insurers of Municipal Utilities Department bonds to emphasize and clearly disclose the strength of the revenue and cash balances that support repayment of these bonds.

Highlights of Pendency Plan impacts on other funds are described below and outlined in Exhibit 2 of Resolution 1:

1. Reductions in labor costs resulting from reductions in compensation and retiree medical benefit costs in funds with labor costs.
2. General Fund subsidy reductions will reduce revenue in the receiving funds and General Fund debt reductions will reduce expenses or transfers in other funds.
3. Transfer of cost of eligible services from Public Works and Public Safety to Gas Tax and Measure W Funds.
4. Minor interfund loans to other special funds to provide funding in the event agreements are reached with capital markets creditors.

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State of Emergency

The City Council, by Resolution 11-0114, declared a state of emergency based on fiscal circumstances on May 17, 2011. This resolution requires a quarterly review of the circumstances that lead to the emergency. The financial information in this report and the June 5, 2012 report, coupled with the information showing that despite significant personnel cost reductions imposed during the State of Emergency there will be no expected unrestricted available fund balance at the end of Fiscal 2011-12. The Proposed Budget estimates show no General Fund balance for Fiscal 2011-2012, and that the City faces a $25.9 million deficit projected for Fiscal 2012-13 that must be offset, supports continuance of the state of emergency adopted by City Council Resolution #11-0114 on May 17, 2011 through June 30, 2012.

On July 1, the Pendency Plan and chapter 9 protection will replace the State of Emergency based cost reductions. The measures implemented under the May 17, 2011 emergency in combination with the actions approved by the City Council at its meeting of February 28, 2012 are necessary to generate the cost savings needed to maintain a balanced budget and General Fund solvency through the end of Fiscal 2011-12.

In addition, with respect to MOUs that have expired, to the extent that the meet and confer process under the Meyers Milias Brown Act is not yet complete, the Council hereby finds that the need to immediately implement the pendency plans constitutes an emergency within the meaning of Government Codes section 3504.5, authorizing the immediate implementation of such plans while the City completes any remaining aspects of the meet and confer process. This emergency is based upon the findings in this report, and in the staff report and accompanying resolution adopted by the Council on June 5, 2012.

Modifications to the Unrepresented Management/Confidential and Law Employees' Compensation Plan
The Pendency Plan includes the reductions for the Management/Confidential and Law Employees approved by the City Council on August 9, 2011 and adds reductions that are consistent with the reductions imposed on represented units. These changes are detailed in the Comprehensive Summary of the Unrepresented Employees' Compensation Plan included as Exhibit 1 to Resolution 3 and include:

1. Reduction in city paid life insurance coverage.
2. Limits on medical plan coverage and reductions in retiree medical benefits.

3. Elimination of sick leave buy-out and one floating holiday and change in leave accrual calculation.
4. Reduction and then elimination of longevity pay.
5. Addition of benefits received by similarly situated represented employees including jury duty leave, bereavement leave, uniform allowance, POST certificate pay, and compensatory time off.

It is the City's intent to provide compensation and benefits for its unrepresented employees that are equivalent to the programs for represented employees. This approach is consistent with the sustainable commitment of offering competitive compensation to attract and retain qualified employees.

Conclusion

It is with grave concern for the health, safety and welfare of the residents of Stockton that I submit this report for your consideration. We have tried everything, including negotiating or imposing massive compensation reductions, the likes of which you cannot find in the State. We have made massive service and staffing cuts to a City that was already receiving extremely modest service levels before these cuts. Further reductions to service levels would not only jeopardize the safety of residents, they also would severely limit this City's chances for economic improvements.

We must provide the services our citizens deserve and require. Your Council is not responsible for the financial situation that we face today, but you have been left with the responsibility for dealing with it. It is with hope for a financially stable and fiscally responsible future, that I submit this plan. This City can no longer put off making the necessary changes to long term obligations that prevent us from having a sustainable financial plan. We will continue to work with all of our creditors, as we have for the past 90 days through AB 506, to negotiate agreements that restructure our unsustainable obligations.

Respectfully submitted,

for Laurie Montes

BOB DEIS
CITY MANAGER

Attachments:
Attachment A -June 5, 2012 Staff Report on Contingency Option
Attachment B - Summary of Pendency Plan Changes for Employees

June 5, 2012

TO: Mayor and City Council

FROM: Bob Deis, City Manager

SUBJECT: **AB 506 CONTINGENCY OPTION: AUTHORIZE FILING A PETITION SEEKING PROTECTION UNDER CHAPTER 9 OF THE U.S. BANKRUPTCY CODE, ONLY IF THE AB 506 MEDIATION PROCESS DOES NOT RESOLVE THE CITY'S FINANCIAL CHALLENGES BEFORE JULY 1, 2012**

RECOMMENDATION

Approve a resolution authorizing the City Manager to file a petition seeking protection under chapter 9 of the United States Bankruptcy Code only if the AB 506 mediation process currently underway does not result in agreements that both prevent insolvency for FY 2012-13 and meet the City Council's objective of fiscal sustainability.

SUMMARY

The City of Stockton has had massive budget deficits for the past several years. It has depleted reserves, negotiated and imposed compensation and staffing reductions while in a state of fiscal emergency and used every tool at its disposal to avoid insolvency. The FY12-13 General Fund Proposed Budget has an operating shortfall of $25.9 million and provides only a very small reserve. The deficit is projected to grow to $40 million per year within three years in the absence of reducing the City's obligations through restructuring. The financial situation is dire, with no revenue or other funding sources available to balance the City's budget.

The City is insolvent from a service and budget basis today and faces cash insolvency in its General Fund by July 1, 2012 unless the State-mandated AB 506 process initiated by the City on February 28, 2012 results in a significant restructuring of its obligations and cost reductions. This staff report provides an overview of the City's financial condition and describes the need for the City to be prepared to file for bankruptcy protection under chapter 9 as a contingency option, should the AB 506 process not be successful in reducing costs to the level that the City can adopt a balanced budget, as required by the State Constitution and the City Charter, on or before July 1, 2012.

Over the past two years, the City has negotiated major reductions in compensation in its open contracts, reduced staffing and has exercised its fiscal emergency powers to suspend certain obligations under its labor contracts. The City has also missed bond payments and suspended leave payouts for employees leaving the City due to a lack of funds. Employees have been laid off, services cut, and wages and benefits reduced through heart-wrenching negotiations and impositions. The City Council made these reductions and defaulted on its obligations to

prevent essential service reductions to a level that would endanger the health, safety and welfare of the community. Services to the community have fallen to unacceptably low levels despite the City Council's best efforts. The budget gaps have simply been too large to address through workforce and compensation reductions alone if essential services are to continue.

Proceeding with a chapter 9 filing is a last resort for the City. Considerable effort has gone into the AB 506 process, both by the City and by participating creditors, and we remain hopeful that it will result in sufficient restructuring of our obligations so that chapter 9 is avoided. The initial 60 day period required under AB 506 ended on May 27, 2012. A majority of the creditors invoked their power under the statute to extend by another 30 days, concluding the entire 90 day process on June 25, 2012.

We are making the recommendation now for City Council authorization of a contingency option to file for chapter 9 bankruptcy protection in the event the AB 506 mediation fails for several reasons: (1) *It takes time to prepare the documents and (2) the City will be cash insolvent in a month, and 3) a balanced budget is not possible by July 1st, given current obligations, unless the City Council makes further service level reductions that will severely impair the health and safety of the community.*

We are seeking this authorization now, given other steps underway, such as the AB 506 mediation, the State Controller's audit, and the FY 10/11 audit for three primary reasons:

1. **Filing preparation time:** *It takes time to prepare the required documents for a chapter 9 filing and it would not be possible to do so at the last minute and be able to file prior to the start of the new fiscal year which begins on July 1, 2012.* The ending date of the AB 506 process is June 25, and we need to be ready to file later that week if the AB 506 does not result in the City being able to balance its budget without making debilitating service reductions. The bankruptcy court's protection from creditors and legal liability and the adjustment of expenditures available to the City in bankruptcy will be essential to continue operations in FY 2012-13 if the AB 506 mediation does not cure the City's insolvency.

2. **Additional unrestricted funds will not emerge:** *Neither the State Controller's audit nor the City's independent audit currently underway will result in new financial resources that will improve the City's financial position.* Five teams of auditors from the State Controller's Office have projects underway examining Gas Tax reporting, Redevelopment Agency issues, Federal funds passed through the State and State grants and revenues, mandated state program costs for domestic violence reporting and internal and administrative controls. Periods under examination range from FY 2000/01 through FY 2009/10. We also have a team of ten independent CPA's auditing the City's records for Fiscal 2011. We welcome these reviews and, consistent with the Council's strategic objectives, look forward to these auditors' findings to help us put the City's financial house in order. Due to our own investigations, we have been aware since the summer of 2011 that there were serious issues with financial

reporting and management in prior periods. The City has committed countless hours to identifying and remedying problems, and we remain committed to solving problems identified by any source in a timely manner.

Some individuals appear to believe that the results of the State Controller's audit or our independent audit will produce reports that indicate that additional resources will be found to address the resource constraints that have made the City insolvent. However, the preliminary results of the independent CPA's examination have not resulted in findings that would increase available unrestricted fund balances and the State Controller's audit focuses on conditions and reporting that range from two to eleven years old. Insolvency is a problem now and depends on our forecasts of future results. ***The grave situation facing the City now and next year leave no doubt about the City's solvency and the hard work and analysis of our staff indicate that there are no undiscovered or undisclosed pools of resources that could address the City's ongoing structural deficit.***

3. **The City cannot adopt a balanced budget on July 1, 2012:** The City cannot adopt a balanced budget on July 1, 2012, as required by the State's Constitution and the City Charter, absent reduction of costs through restructuring of obligations or severe service level reductions, or both. If the AB 506 mediation process is unsuccessful, chapter 9 will be required because the City will not be able to meet its obligations.

The General Fund is expected to deplete its available unrestricted fund balances by June 30, 2012. The State Constitution prohibits making expenditures and transfers out that will exceed a combination of available revenues, transfers in and beginning fund balances during any fiscal year. Spending more than the City has in available resources creates debt payable from future years' revenue. Any debt subject to this Constitutional limitation must first be approved by voters and is limited to capital expenditures. The City Council and City staff cannot authorize expenditures that would create impermissible debt knowing that planned expenditures will exceed available resources. This requires the City to adopt a balanced budget.

The estimated $26 million gap for FY 2012/13 cannot be closed with one-time sources of funding or other marginal approaches to budget balancing. The City has no resources – one-time or otherwise – to close this gap. Since the gap will widen significantly, as described later in this report, it is essential that the ongoing structural problem be solved. The City must create a plan to emerge from this fiscal crisis that makes it truly sustainable, with reliable ongoing revenues covering full ongoing costs (both direct and indirect), and sufficient reserves to weather economic uncertainty, revenue fluctuations and emergency spending requirements.

Services are already at or below minimum for residents and businesses. The level of service delivery cuts made in the past two years has had a serious, negative impact on the Stockton community. Public safety is at a crisis level in the community, in part due to staffing reductions. In 2011, there were 58 homicides in Stockton, an all time record. At this time last year there had been seven homicides, but as of May 4, 2012 we were already up to 23 for the

year. We are also experiencing a 30% increase in gun violence from last year. The community justifiably feels vulnerable. Since public safety (police and fire) expenditures comprise the majority of General Fund expenditures, eliminating the budget gap through expenditure reductions would hit those services hard. We believe further reductions would threaten the health, safety and welfare of our residents.

The City is clearly insolvent from both a service delivery and budget perspective. We are rapidly approaching a cash insolvency threshold which, short of AB 506 restructuring, will leave no option other than seeking bankruptcy protection. This is despite vigorous efforts over the last two years to cut expenditures. These expenditure reductions have resulted in drastic cuts in the number of City employees, difficult service reductions to City residents and painful compensation adjustments for the remaining employees. We believe that the City must concentrate its limited resources on sustaining basic services to its residents and businesses. Our highest priority is to provide for public health and safety. Significant further erosion in staffing and service levels is inconsistent with this priority.

There are many reasons for the City's financial situation. Some of those reasons are related to decisions made over the last 20 years which, in hindsight, surely can be questioned. Many relate to exogenous factors – such as foreclosures, loss of jobs, and decline in property values and State raids on revenues and elimination of redevelopment – that have impacted the City's overall fiscal situation, perhaps more severely than most communities in the United States. Current City management has, over the past two years, identified the underlying problems giving rise to the financial crisis the City finds itself in, and has made significant strides in correcting the problems that are within management's control. The City has made a strong start in redesigning City operations to create an efficient and effective organization and new procedures have been put into place. Unfortunately, no amount of process reengineering or reorganization can achieve the objective of financial sustainability without the concomitant realignment and restructuring of some of the City's obligations. The size of the deficit is such that small changes will not correct insolvency or put the City on a path to a sustainable financial future.

Stockton must emerge from either the AB 506 process or chapter 9 with a financially sustainable future. Therefore, the course of action being recommended to the Council is critical – that of authorizing the filing bankruptcy under chapter 9 if the AB 506 process is unsuccessful in restructuring the City's obligations. It is important to emphasize that: 1) we are still aggressively pursuing financial restructuring via the AB 506 process; 2) we are not asking you to file bankruptcy today; and 3) it is only upon failing to resolve our financial structural issues on or before the June 25 expiration of the AB 506 process do we plan to utilize chapter 9.

The balance of this report is organized into the following major sections:

- **Tentative Schedule**
- **General Fund Forecast**
- **Restricted Funds and Cash Balances**

- **How Did We Get Here**
- **Actions to Balance the Budget and Reduce Costs**
- **Service Reductions**
- **AB 506 Mediation Process**
- **Revenue Options**
- **Authorization for a Contingency Option to Seek Chapter 9 Bankruptcy if the AB 506 Mediation Process Does Not Resolve the City's Financial Challenges**
- **Conclusions**

TENTATIVE SCHEDULE

The following provides a tentative schedule for each of the major processes currently underway to meet the City's obligations under state and federal law to provide a balanced budget and prepare a long term fiscal stability plan.

Table 1. Tentative Schedule for AB 506 Mediation, Chapter 9 Bankruptcy Contingency Plan and City Budget Adoption

Date	Description
AB 506 Mediation Process and Contingency Plan	
February 28	AB 506 Mediation Process authorized by City Council
March 27	60 Day Mediation period commenced upon selection of the mediator
May 26	Initial deadline for AB 506 completion. Majority of the interested parties extended the mediation by another 30 days until June 25, 2012
June 5	City Council Meeting on Authorization to File Petition Seeking Protection Under Chapter 9 of the U.S. Bankruptcy Code, if the AB 506 Mediation Process Fails
June 25	Last day of the 30 day AB 506 extension
June 26	First day on which the City may file a chapter 9 case if 506 unsuccessful
June 29	Last regular business day of FY 2011-12
Early September	Hearing on City's eligibility petition for chapter 9 relief, if filed (estimated timeframe)
FY12-13 Budget Adoption	
May 15	Publish Proposed FY12-13 Budget
June 11 and 18	Budget Workshops
June 26	Adoption of FY 2012-13 Budget and potential Pendency Plan

GENERAL FUND FORECAST

The City released its FY12-13 Budget on May 15, 2012, and based on updated personnel costs and other information, the long-term General Fund forecast has been revised accordingly.

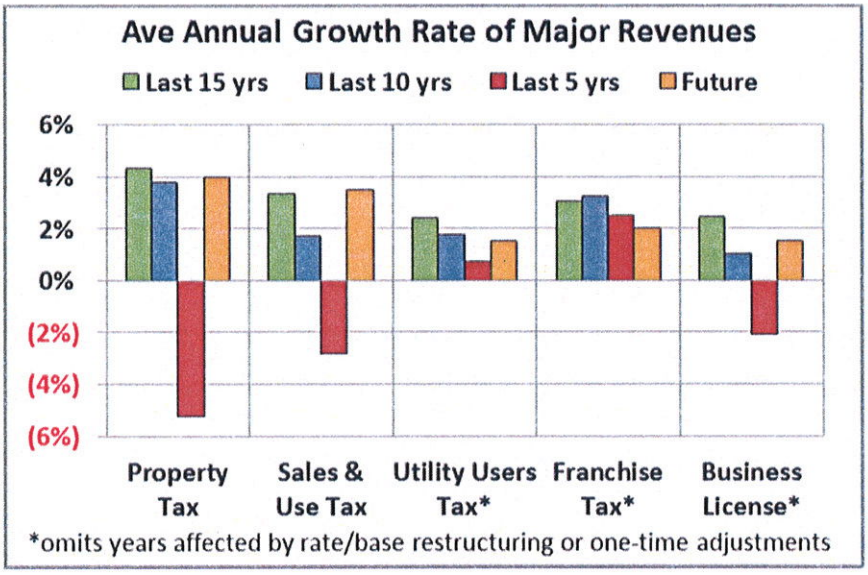
Baseline Budget: The forecast starts with a baseline budget which is a continuation of the status quo, but reflects cost increases in pensions, retiree medical and other services and supplies that must be purchased by the City to continue the current minimal level of service it is providing. The estimates in the model do not include salary COLAs or benefit increased scheduled under the current contracts, or restoring pay and benefit reductions imposed in connection with fiscal emergency resolutions during the last two years. The annual General Fund savings generated by these assumptions through the end of current contracts is approximately $18 million. The Baseline Budget also does not include certain fiscal stabilization measures that are included in the Proposed FY 12-13 Budget and discussed further below.

Revenue Assumptions - Key baseline revenue assumptions include:

1. Property tax assumes slow recovery with additional declines in FY12-13 and FY13-14 before increasing to 4% long-term growth by FY18-19. The FY12-13 estimate is from HdL, the City's property tax auditor; future estimates are based on discussions with the County Assessor and local business interests, e.g. banks and developers. Proposition 13 will hold down property tax growth as the annual assessed value adjustments of properties (which are already selling at deflated levels) are limited to the lesser of the change in the California consumer price index or two percent, unless sold. Sale prices will depend on the rate of market recovery, and whether trends shift to renting closer to work, rather than owning farther away. The long-term trend is straight-line, and although there will be years where revenue growth is higher and others where it is lower, the forecast does not attempt to predict which years the ups and downs (or negative growth) will occur.
2. Sales tax is based on HdL estimates through FY15-16, and assumes 3.5% long-term growth thereafter (which exceeds long-term CPI growth of 2.5%). The shift toward non-taxable services and non-taxed internet sales will hold down growth over time. Again, the long-term trend is straight-line and does not attempt to predict specific years that will be higher or lower than this estimate.
3. Utility Users Tax (UUT) and Business License Tax (BLT) are projected to grow at 1.5% over the long-term, and the Franchise Tax at 2.0%. The UUT and Franchise Tax are subject to impact of user conservation, and technology trends (wireless vs. cable). The BLT is expected to grow slowly given local economic conditions.

The following graph compares the historical annual average growth rate over the long-term (15 years), medium-term (10 years) and short-term (5 years) for the five largest General Fund revenues, in comparison to the ongoing future growth rate for these revenues contained in the ten-year General Fund budget forecast.

Figure 1. General Fund Revenue Average Growth Rate

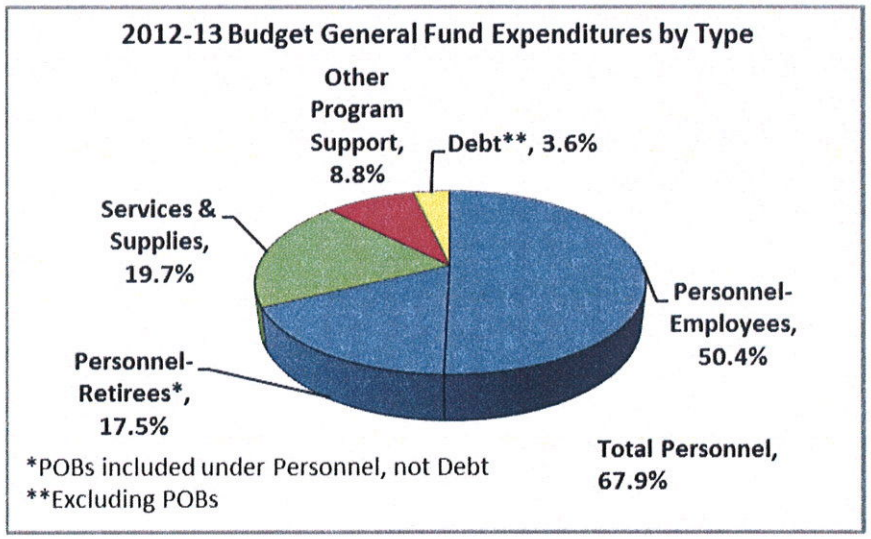


Expenditure Assumptions - Key baseline expenditure assumptions include:

1. CalPERS costs are driven by the state's actuarial report, a 0.5% lower CalPERS discount rate for investment earnings (1/4% approved by the CalPERS Board starting in FY13-14 and 1/4% expected to start in FY15-16), and lower City payroll which will drive up part of the CalPERS liability rate that pays off the unfunded liability. The major risk is additional reductions in the discount rate and/or CalPERS investment losses, which would drive employer rates up further. There is the risk that future labor negotiations (or court rulings) will result in lower employee contributions, which will drive up City costs.
2. Increase in salaries in FY12-13 is primarily due to absorbing Police personnel that were previously paid by grants; future year growth reflects merit pay increases. There is the risk that future labor negotiations (or court rulings) will result in higher employee pay levels. In the baseline analysis no salary increases are projected for the ten year period.
3. Employee health costs are flat, as it is assumed the City contribution level does not change. There is the risk that future labor negotiations (or court rulings) will result in higher City health contributions, which would be compounded by the growth rate in medical costs reflected in the City's self insurance plan.
4. Retiree health costs are driven by the forecast in Segal actuarial report with annual growth averaging 9% growth over the next four years and 6.9% through FY20-21. The major risks are higher growth in medical premiums or higher numbers of retirees sooner than projected.
5. Net debt costs are higher in the near-term due to lower rents and cost of tenant improvements at 400 E. Main, but decrease as the lease-up rate improves. The major risk is a higher vacancy rate.

The projected major General Fund expenses of $180.8 million for FY12-13 are shown by type in Figure 2.

Figure 2. FY12-13 Budget General Fund Expenditures



Ten-Year Baseline General Fund Budget: The following table shows a net shortfall of $8.7 million in FY11-12, before the City Council actions of February 28, 2012.[1] Without the fiscal stabilization expenses included in the FY12-13 proposed budget, the projected shortfall from the baseline expenditures alone increases to $23.0 million in FY12-13, and rises to an annual average shortfall of $37.2 million from FY15-16 through FY20-21. The baseline budget forecast contains no reserves, and actual General Fund deficits start in FY12-13 and would continually grow in future years. However, the City cannot adopt deficit budgets, so sufficient corrective actions must be adopted for FY12-13 that both eliminate the shortfalls *and* leave an adequate unrestricted fund balance.[2]

[1] With a re-stated negative balance for June 30, 2011 of $6,553,156 and a FY11-12 operating shortfall of $8,652,768, the February 28, 2012 City Council actions totaling $15,205,924 are expected to leave the General Fund with zero available unrestricted fund balance as of June 30, 2012.
[2] The Government Finance Officers Association recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures, which is equivalent to 16.67% of those amounts. Cities with formal reserve policies generally specify between 10-20% reserve levels.

Table 2. General Fund Baseline Budget Forecast

General Fund Baseline Expense Forecast by Major Categories

($ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Salary	$52.0	$56.4	$56.5	$56.9	$59.9	$60.1	$60.4	$60.6	$61.0	$61.7
Pension-PERS	16.1	16.6	22.1	22.9	25.4	26.2	27.1	28.0	28.9	29.9
Pension-POBs	5.6	5.8	6.2	6.3	6.4	6.5	6.6	6.7	6.8	6.9
Health-Employees	9.5	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8	8.8
Health-Retirees	8.0	9.2	9.6	10.4	11.2	11.5	12.2	12.9	13.7	14.5
Overtime/Standby/Callback	6.8	7.3	7.4	7.5	7.6	7.7	7.8	7.9	8.0	8.1
Workers Comp	5.7	6.4	6.5	6.6	6.8	6.9	7.0	7.2	7.3	7.5
Other Pay/Benefits	7.1	6.6	6.7	6.8	6.8	6.9	7.0	7.1	7.1	7.2
Compensated Absenses	4.3	4.5	4.8	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Subtotal Personnel	115.1	121.6	128.6	130.9	137.6	139.3	141.6	143.8	146.4	149.3
Services & Supplies	33.1	33.6	34.9	35.2	36.1	36.3	37.3	37.5	38.5	38.8
Other Program Support	13.2	14.1	15.4	15.6	15.9	16.1	15.4	15.3	15.6	15.8
Debt (excluding POBs)	4.4	6.6	7.4	6.0	6.1	5.6	5.5	5.4	5.3	5.3
Contingency	1.6	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total Expense	167.4	177.9	188.3	189.7	197.6	199.3	201.7	204.0	207.8	211.2
Total Revenue*	158.7	154.9	154.3	155.4	157.7	160.7	164.3	168.0	171.8	175.7
Net Annual Shortfall	(8.7)	(23.0)	(34.1)	(34.3)	(39.8)	(38.6)	(37.4)	(36.1)	(36.0)	(35.5)

*Total revenue affected by negative interest resulting from negative balances.

FY12-13 Budget: Baseline plus Fiscal Stabilization and Sustainability

While the immediate focus by the City is to maintain ***cash solvency***, in the long term the City must remain a competitive employer, rebuild reserves and make additional investments in technology and deferred maintenance if it is to achieve long-term ***budget solvency***, i.e., the ability to pay for all the fiscal year's expenses related to a given service level (even if that service level is well below what is warranted for the health, safety and welfare of the community). Even though the expenditure levels in the baseline budget exceed available resources, the FY12-13 proposed budget includes the following minimal additional measures because they are required if the City is to become a sustainable organization over the long-term:

- Furloughs phased out over two years to support staff capacity and workload management.
- Salary and health cost of living adjustments of 2% annually assumed to start in FY15-16, which would be required for employee recruitment and retention to remain competitive in the labor marketplace.
- Increased investment in deferred maintenance of at least $1 million annually to avoid much more costly and unavoidable expenditures in the future.

- Increased investment of $250,000 annually in added technology to increase productivity and enable staff to provide cost effective service to the public.
- Increased contribution of $750,000 annually to replace equipment effectively.

Table 3 shows that the baseline budget with fiscal stabilization measures results in even greater ongoing deficits, and no reserves, absent corrective actions. The net shortfall remains at $8.7 million in FY11-12 (before the City Council February 28, 2012 actions), rising to $25.9 million in FY12-13 under the proposed budget, and increasing to $56.4 million by FY20-21. This is a more accurate representation of the actual shortfall facing the City because it reflects the type of expenditures, albeit at a low level, the City would be required to make to sustain this level of service over the long term.

Table 3. General Fund Baseline Forecast + Fiscal Stabilization (FY12-13 Proposed Budget)

General Fund Baseline Expense Forecast Plus Fiscal Stabilization Expenses

($ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Baseline Expense	$167.4	$177.9	$188.3	$189.7	$197.6	$199.3	$201.7	$204.0	$207.8	$211.2
Deferred Maintenance	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Technology/Workers Comp	-	0.8	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Phase-out Furloughs/Other	-	1.2	1.3	2.5	2.7	2.8	2.9	3.0	3.1	3.2
2% Salary/Health COLAs	-	-	-	-	2.4	4.9	7.4	10.1	12.8	15.7
Total Expense	167.4	180.8	191.6	194.2	204.6	209.0	214.0	219.1	225.7	232.1
Total Revenue*	158.7	154.9	154.3	155.4	157.7	160.7	164.3	168.0	171.8	175.7
Net Annual Shortfall	(8.7)	(25.9)	(37.3)	(38.9)	(46.9)	(48.2)	(49.7)	(51.1)	(53.9)	(56.4)

*Total revenue affected by negative interest resulting from lower balances than baseline budget.

Impact of Restoring Imposed Labor Cost Reductions

The impact of restoring any or all of the pay and benefit reductions imposed by the City as a result of court actions would be significant. Depending on court determinations, it is possible that pay reductions would be restored retroactively; such costs would then have to be added to the annual baseline budget going forward. How much this would ultimately cost depends on whether the City would be required to restore all pay and benefits for SPOA and SCEA. Additional potential cost increases not assumed in this projection are City contributions for employee health plans, currently capped, if the cap was to be removed. City contributions would then increase, and resume growing at the level of growth in medical premiums.

Table 4 assumes an annual increase of approximately $15.3 million in pay and benefit reductions either previously imposed or excluded from the baseline budget during FY12-13, and $1.2 million in each of the next two fiscal years, for a compounded total of $18.3 million by FY14-15.

These costs are not included in the baseline budget. Adding these payroll costs to the baseline budget with fiscal stabilization expenditures causes the net shortfall (before February's corrective actions) to jump to $21.2 million in FY11-12. This assumes $12.5 million in back pay and benefits would have to be paid by the end of the current fiscal year, although actual resolution of the cases may take longer. This annual shortfall rises to $41.2 million in FY12-13, and increases rapidly to $88.5 million by FY20-21.

Table 4. General Fund Baseline + Fiscal Stabilization + Salary and Benefit Pay Restoration

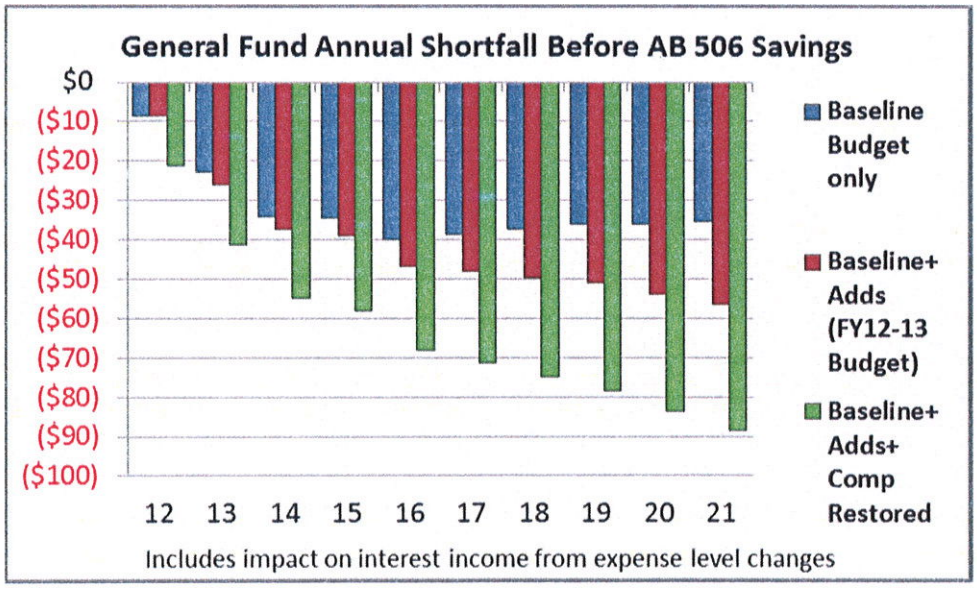
General Fund Baseline Expense With Restoration of Pay & Benefit Cuts Plus Fiscal Stabilization

($ in Millions)	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21
Baseline Expense	$167.4	$177.9	$188.3	$189.7	$197.6	$199.3	$201.7	$204.0	$207.8	$211.2
Pay/Benefits Restored	12.5	15.3	17.0	18.3	19.8	21.1	22.5	23.9	25.4	27.0
Fiscal Stabilization Expense	-	2.9	3.3	4.5	7.4	10.3	13.3	16.4	19.7	23.1
Total Expense	179.9	196.1	208.6	212.6	224.8	230.7	237.5	244.3	252.8	261.3
Total Revenue*	158.7	154.9	153.7	154.6	156.6	159.4	162.6	165.9	169.3	172.8
Net Annual Shortfall	(21.2)	(41.2)	(54.9)	(58.0)	(68.1)	(71.3)	(74.9)	(78.4)	(83.5)	(88.5)

*Total revenue affected by negative interest resulting from lower balances than baseline plus fiscal stabilization.

The following chart summarizes the three alternative levels of net annual shortfall facing the City in the AB 506 process.

Figure 3. Alternative General Fund Shortfall Levels



RESTRICTED FUNDS AND CASH BALANCES

The General Fund's resources are unrestricted with only some exceptions. It is the fund that pays for everything that is not required to be reported in other funds, including core services like Police, Fire, Public Works, Libraries and Recreation. Though other funds are solvent and can function normally, the General Fund is insolvent because we have not been able to meet our contractual obligations. Other funds that are restricted by law, grant or contract cannot provide resources to close a funding gap in the General Fund. Doing so and not repaying the funds with current year resources creates impermissible debt prohibited by the state constitution and violates the laws that limit use of restricted funds to specified purposes.

The City has over 200 individual accounting funds established to segregate revenues that are restricted by Federal, State or other sources for specific purposes. Restricted revenue sources include, as examples, water fees, gas tax, development impact fees, safety and transportation taxes, grants and special districts. Staff, in consultation with counsel and consultants, has prepared a detailed analysis explaining which City funds are unrestricted and available for operational use, and which are restricted. The analysis also identifies the source of restriction, whether statute, grant, or contract, each restricted fund.

The Governmental Accounting Standards Board (GASB) has recently updated the definitions of different types of funds:

- *General Fund* – To account for all financial resources not accounted for and reported in another fund.
- *Special Revenue Funds* – To account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects.
- *Capital Projects Fund* - To account for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays.
- *Debt Service Funds* - To account for all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- *Permanent Funds* - To account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizens.

Fund balances within each fund are classified as follows, depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Non-spendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund)

- *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation
- *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint
- *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts are reported only in the general fund.

A committed or an assigned fund balance in an unrestricted fund is a type of restriction which can be changed by the City Council. Those fund balances can be reassigned if they do not affect services critical to the health, safety and welfare of the community. In the actions approved on February 28, 2012, the City Council reassigned all unrestricted funds that it could consistent with its intent to maintain sustainable critical services.

The funds follow the previous GASB requirements and the revised definitions will be used for future reports. However, the revised definitions are helpful in understanding how funds are restricted and whether the City Council has the authority to change any restrictions.

Cash balances: Overall, the composite balance of the City's total cash and investment portfolio, as reported in the most recent financial statements for the year ended June 30, 2011, (currently being audited) was $360 million. Of this balance, $354 million was held in restricted funds (assessment districts, bonds, trust funds, special revenues, and tax measures), $6 million was held in partially restricted funds and the General Fund had a negative balance of $9,253. As of February 29, 2012, the General Fund cash balance grew to a negative $2,078,545. While the City continues to hold significant cash and investment balances, the overwhelming majority are from restricted sources not available for general operations.

Table 5 shows the City's cash balance progression as it continues to resolve revenue and expenditure issues.

Table 5. Restricted, Partially Restricted, and Unrestricted Cash Balances for June 2010, June 2011, and February 2012

Fund Type	Cash Balance		
	Jun 30, 2010	Jun 30, 2011	Feb 29, 2012
Restricted Funds	$472,789,991	$353,512,228	$297,411,869
Partially Restricted	$6,417,336	$6,222,020	$4,907,720
Unrestricted	$2,263,158	($9,253)	($2,078,545)
Total	$481,470,485	$359,724,995	$300,241,044

While unrestricted cash was a negative $2.1 million at the end of February, the April property tax receipts, together with net operations over the ensuing four months and anticipated net short-term receivables, are projected to leave the General Fund with a zero available unrestricted fund balance as of June 30, 2012. This was the forecast provided to the City Council at its February 28, 2012 meeting, and that estimate has not changed.

LEGAL AND ACCOUNTING CONSIDERATIONS IN DETERMINING INSOLVENCY

The City is approaching the point where it could overspend its resources, creating impermissible debt. Unlike a private business, the diversity of restricted funding sources and resources affect the determination of what constitutes insolvency. Throughout the year, the General Fund of the City operates in some months with a deficit balance in the pooled cash and investments of the City. That deficit is alleviated twice a year when property tax installments are received in December and April. As long as the City has a positive available unrestricted fund balance equal to or greater than zero by the end of the fiscal year, those deficit pooled cash balances do not mean the City is cash insolvent. Generally speaking available unrestricted fund balances represent net current assets (essentially cash and current receivables minus current payables).

However, whenever a fiscal year end forecast results in a deficit available fund balance expenditure plans must be adjusted to prevent the City from ending the year in a deficit. If the negative amount can be managed with administrative actions, the Council does not need to act. However, several times this year, the Council was informed of potential available unrestricted fund balance deficits and took immediate action to make necessary adjustments. However, the actions approved on February 28, 2012 used up the last unrestricted reserves from various funds available to the City, resulting in a projected June 30, 2012 available unrestricted fund balance barely above zero. When no resources or acceptable service reductions can close a deficit gap the City would be cash insolvent.

At that point the City could not approve spending under a budget plan that would create a deficit and would have to implement priority systems for limiting its obligations for services, supplies and personnel costs to make sure it did not violate the law.

Our projection of unrestricted available fund balance has not changed significantly from the February 28, 2012 report and we expect the City will have a zero available unrestricted fund balance at the end of the current fiscal year. The only reason the City will end the year with zero, rather than in a negative position, is that the City did not pay on some of its legal obligations. Such nonpayment resulted in legal action by an indenture trustee and the City's loss of possession of three parking garages, among other things. These breaches of legal obligations defer technical insolvency to allow the AB 506 process to continue because future revenues are not committed to cure the breaches. However, inability to meet its legal financial obligations is evidence the City is insolvent in FY 2011-2012 and FY 2012-2013.

Legal and accounting requirements limit the City's ability to raise or borrow money to close revenue shortfalls. Both the State constitution and the City Charter require the City to have a balanced budget at the beginning of each fiscal year. Proposition 13 limits property tax rates to 1% of fair market value, exclusive of voter-approved bonded indebtedness. Proposition 218, passed by the voters in 1996, requires that a majority of voters approve any new or increased general tax and that a two-thirds majority approve any new or increased special tax.

Further, the City cannot borrow the funds to make up a cash flow or revenue shortfall. Article XVI, Section 18 of the California Constitution prohibits California cities from incurring in any year a debt which they cannot pay from revenues attributable to the same year, absent two-thirds voter approval for borrowing beyond the fiscal year. In other words, each year's revenue must pay each year's expenditures. Given its current finances, the City cannot pay back a loan with unrestricted revenues attributable to FY12-13. Obtaining voter approval for new taxes or borrowing would be highly speculative under normal circumstances; it is even more uncertain given the City's historically high rates of foreclosures and unemployment, and the fact that we administer a uniquely generous retiree health program and are financially exposed to various litigation matters. Furthermore, it is simply too late to benefit FY 12-13.

Moreover, there are serious consequences for City officials who knowingly allow expenditure of restricted funds for unrestricted purposes, or allow expenditure of funds where there is insufficient money available to pay for such expenditures. The following excerpt from Municipal Bankruptcy: Avoiding and Using Chapter 9 in Times of Fiscal Stress clarifies and emphasizes this point:

> *In such a case, use of restricted funds in pooled cash could be a violation of the restrictions imposed on the special funds and therefore illegal. It is important to note that while municipal financial officers generally have immunity from personal liability for official acts that immunity does not necessarily extend to knowing violations of the law. Thus, a municipal finance officer should be very careful not to permit advances from restricted funds intra-year if he or she knows that the amounts cannot be restored from*

budgeted revenues or reserves by the end of the fiscal year. It is very important for a municipality that appears to be headed for insolvency to monitor its cash position, particularly in the funds that are projected to go negative by the end of the fiscal year, so that it can determine when it will run out of funds to keep operations going.

A municipal official who requires or even permits employees to come to work if the official knows that the municipality will not be able to pay them may be violating state labor laws or committing common law fraud... For example, if an employee is paid from a municipality's general fund (and cannot be allocated to some other special restricted fund because the employee's duties do not support the special fund's activities), and the general fund budget position is such that, taking into account any available reserves, it will be unable to achieve at least a zero year-end balance without using legally restricted funds in pooled cash, the municipality could be faced with the choice of either breaking the law by using restricted funds for an impermissible purpose or by failing to pay contracted for wages after work has been performed. If either of these occurs with foreknowledge by the municipality's managers or governing body, normal governmental immunity for official acts may not protect such officials from personal liability.[3]

HOW DID WE GET HERE

The City of Stockton has suffered to a greater extent than most areas in the country from the effects of the "Great Recession," which has been compounded by the cumulative effects of poor decisions, management and accounting practices. The following is a brief recap of internal and external precipitating events which have led to the City's current financial crisis.

1) Unsustainable Retiree Health Benefits

In the 1990's, the City greatly expanded its retiree health insurance commitments to levels well beyond what other cities offered, but did not fund it in an actuarially sound basis. Annual pay-as-you-go costs for all funds total $13.8 million ($9.2 million for the General Fund) currently, and will double in ten years to $27.4 million. In the past two years, annual costs have increased by $1.5 million despite benefit restructuring that reduced the unfunded liability by $100 million. Even with these steps, the unfunded liability for retiree health benefits remains at $417 million, and there is no money set aside to pre-fund these obligations. If we were to properly fund these obligations, we would need to set aside 30 percent of payroll. This is roughly twice what we are budgeting for now. While $417 million is the present day value of the City retiree medical benefits, in fact the actual projected expenditures over the next 60 years for claims alone is in excess of $1.6 billion on a pay-as–you-go basis.

Of the approximately 2,400 City retirees, slightly fewer than 1,100 receive medical benefits. These 1,100 are the more recent retirees, the vast majority of whom retired with enhanced

[3] Municipal Bankruptcy: Avoiding and Using Chapter 9 in Times of Fiscal Stress, by John Knox and Marc Levinson, 2009 by Orrick, Herrington & Sutcliffe LLP

pension benefits and whose pensions are on average twice as high as City retirees without retiree medical benefits. For these retirees, the City pays for the full premium for the retiree and one dependent. There is no cap on City costs for the retiree/dependent premium, and no minimum years of service are required to receive the benefit except for the SCEA and OE3 groups who have a requirement of 15 years of Stockton service. This benefit level is extremely rare in the state. We know it does not exist in the 16 cities that we surveyed. Starting in FY2013-14, the City will be spending more on health benefits for retirees than for current employees. Costs are predicted by the City's outside consultants to increase at an average of 9% annually over the next four years, and 6.9% over the next 10 years, including health premium increases and new retirees who remain eligible for the benefits.

2) Labor Contract Restructuring

In previous years, the City approved labor contracts that were neither transparent nor sustainable. Automatic salary increases were tied to other cities that were not reasonable comparisons to Stockton's labor market. The base salary used for comparison excluded many "additional pays" for longevity, education and specialty assignments, so that while base pay might not have appeared unreasonable, total compensation grew higher than the labor market. Premium pay, management of overtime and sick leave payouts at separation are very expensive and hinder the City's ability to meet its other obligations. Contracts restricted management's ability to reduce staffing levels or restructure service delivery.

As the financial picture worsened, most labor groups were willing to renegotiate closed contracts to reduce compensation and benefits over the labor market. However, the Stockton Police Officers Association (SPOA) and the Stockton City Employees Association (SCEA) were not willing to make these same changes, and the City Council had to declare two fiscal emergencies and impose concessions on these two groups that represent the majority of the City's employees. The emergency impositions are being challenged in court and at the Public Employment Relations Board (PERB) by SPOA and SCEA. The ultimate outcome in these matters has yet to be determined, but if labor groups succeed, an additional $16 million will be added to the City's ongoing deficit, as well as another $12.5 million in back pay, which has not been budgeted. Any back pay award would be added to the City's deficit projections.

3) Excessive Debt Burden (A Six-Fold Increase in General Fund and Related Debt Over Six Years)

The City incurred very large amounts of debt in the last decade to finance an ambitious plan for new public facilities and downtown improvement, including:

- $13 million for housing projects at Hotel Stockton, Mercy Housing, Fremont Park (2003 Certificates of Participation)
- $46 million for the events center/arena (2004 RDA Revenue Bonds)
- $32 million for three parking garages and other capital projects (2004 Lease Revenue Bonds)

- $13.5 million for the Essential Services Building (completed in 2001 and refinanced by the 2006 Lease Revenue Bonds)
- $11 million for marina improvements (2006 Dept of Boating & Waterways loan)
- $40 million for a new City Hall (2007 Lease Revenue Bonds)
- $35 million for a fire station, police communications center, parks and street improvements (2009 Lease Revenue Bonds)

The City assumed the hyper growth that was occurring in the housing sector would continue indefinitely, and that developer fees and property tax growth would provide sufficient revenue to meet these new obligations. As a result, the City "back loaded" some debt payment schedules that increased annual debt payments over time. In order to finance its new facilities, the City agreed to use the General Fund as backup security for bond repayment, even where other payments streams were available. In 2007, the City also took on $125 million of pension obligation bonds in an effort to pay off an unfunded liability at a lower cost than PERS actuarial rates just before CalPERS sustained huge portfolio losses. It also lost a judgment to the Jarvis organization which requires the General Fund to make $34 million in repayments to the Water and Wastewater funds over 30 years.

Before the economic downturn, the City took on additional risk by issuing variable rate bonds, and counting on significant rental income from the 400 E. Main building. Even as revenues began to decline significantly, the City issued its 2009 lease revenue bonds to provide funding for development related projects, counting on development impact fees from new development to cover the General Fund's obligation to make debt service payments. With the collapse of the housing market, new construction stalled and assessed values plunged. The General Fund is consequently backfilling various bond obligations at a time when debt service increased nearly six-fold, from $3 million in FY 2006-07 to $17.2 million in FY 2012-13.

4) The Impact of National and State Economy Hit Hard Locally

The decline in the national and state economy or the Great Recession, beginning in 2007 and 2008, impacted the Central Valley particularly hard. Recovery has been and will continue to be slow. Stockton's housing market has been among the hardest hit in the country, and increased activity or growth in this sector is not projected until 2017. The following are general indications of Stockton's current economic environment:

- Stockton has the worst foreclosure rate in the U.S. with one out of every 60 homes at some stage of foreclosure.
- A nationwide study in 2011 of home loans ranked Stockton 2nd highest in loans "underwater" at 56% (second only to Las Vegas at 66%).
- The City currently ranks 3rd out of 306 metropolitan areas nationwide in magnitude of home value reduction over the past five years at 57.2%.

- The median home price in February 2012 was $118,500 (down from $407,000 in December 2005).

- Total single-family housing starts in the Stockton metropolitan area averaged 150 new units per year over the three calendar years of 2009, 2010 and 2011, which is only 5% of the average 3,000 housing starts per year over the three pre-recession years of 2003, 2004 and 2005.

- Stockton's unemployment rate remains at 19.9%, almost two and one-half times the national rate of 8.2%, and almost double California's rate of 10.9%, and this does not consider the Stockton's percentage of "underemployed" workers which approaches 40%.

A major consequence of this economic decline is the impact on property tax revenues. The California property tax system is unusual in that annual assessed value adjustments are limited to the lesser of the change in the California consumer price index or two percent. An increase in the fair market value does occur upon a change in property ownership and new construction is assessed at a value established by the market sale. However, where changes in ownership result in a lower assessed value (which is typically the case in foreclosures and short sales) the new base is locked in at the lower value. Thus, the high rate of foreclosures in Stockton will penalize the City for years to come with lower property tax revenues and growth rates compared to cities with lower foreclosure levels.

5) Elimination of Redevelopment

In addition to suffering the adverse financial impacts of the housing crash, high unemployment and business losses, the City was required to eliminate its redevelopment agency last February. All cities in California were required to do so as a result of state legislation. Stockton's Redevelopment Agency (RDA) played a key role in downtown and urban renewal and constructing the infrastructure necessary to attract business and development.

As allowed under the redevelopment dissolution bill (AB 26), the City elected to become the successor agency to the RDA. The City made this decision in order to protect its interests in terms of debt management and disposition of real property. The City's General Fund backs the 2003 Housing COPs and the 2004 Arena bonds (it does not back the 2006 Strong Neighborhood Initiative bonds). An over-arching City debt management strategy requires consideration of these obligations, and the City elected to become the RDA successor agency in order to protect its interests in this regard. Additionally, the City owns many key pieces of property in downtown Stockton subject to liquidation under the dissolution bill.

As the RDA successor agency, the City plays a leadership role in managing property liquidation. While successor agency actions are subject to approval by a third-party oversight board, as successor agency, the City is in the position to analyze impacts and forward and forward recommendations to the oversight board. Due to the "waterfall" distribution of tax increment

funds under the dissolution bill, there are no property tax increment revenues to cover staff costs associated with successor agency responsibilities.

While limited cost recovery is allowed under the dissolution bill (a minimum of $250,000 per year for four years), there is simply not sufficient tax increment revenue to cover obligations with higher priority, including debt service and pass through payments, and successor agency costs. Therefore, these costs must be borne by the City's General Fund.

Tax increment revenue has plunged from $25.6 million in FY 2008-09 to about $9.3 million in FY 2012-13, a decline of 64% since the real estate markets collapsed. As of June 30, 2011 the RDA had a net pooled cash and investments deficit of $3.9 million for all project areas. It is worth noting that the Agency's financial distress was exacerbated by the State's continued raid on tax increment. Over the last two years (FY 09-10 and FY 10-11), in addition to the regular payments the Redevelopment Agency was required to make to the State (totaling $6.2 million), the State took a supplemental amount of $11 million from the Redevelopment Agency.

The RDA overspent projects over the past four years and the resulting cash overdrafts were addressed through unauthorized working capital loans with the City that were not transparent. The North Stockton and Waterfront redevelopment produced a combined overdraft of over $9 million, while other areas, including Midtown, South Stockton and Affordable Housing programs have surplus cash balances of almost $6 million. The RDA's net cash position at June 30, 2011 is an overdraft of $3.9 million. The February 28, 2012 City Council meeting authorized the adjustments necessary to eliminate the deficit. Despite this, the low tax increment will create ongoing burdens for the General Fund, given its (backup security) obligation to backfill the 2003 Housing Certificates of Participation (COPS) and 2004 Arena bonds.

6) Financial Adjustments

When new financial staff came to the City in 2010, a number of accounting errors were discovered that had accumulated from prior years. These were discussed at the February 28, 2012 City Council meeting and appropriate prior period adjustments were approved. These errors included double-counting parking citation cash, failure to write down as uncollectible accounts receivable dating back as long as ten years or more, and adjustments to wages payable and expenditures, which had the net effect of overstating General Fund available fund balance by $3.8 million.

At the February 28th meeting, staff also provided updates regarding the FY10-11 and FY11-12 General Fund Available Balance. Table 6 summarizes the information provided at that time. The adjusted fund balances resulted in a projected net shortfall of $15.2 million by June 30, 2012. The City took action to close the gap by making multiple transfers from available funds for the balance of this fiscal year, leaving the General Fund with a projected zero available fund balance at June 30, 2012. These actions included reallocating funds designated to move staff into the new city hall, reducing replacement funds for fleet and technology, and eliminating a popular arts endowment.

Table 6. Projected General Fund Available Balance based on February 28, 2012 Actions
($ in 000)

6/30/10 balance previously reported in FY09-10 CAFR	$1,101
Prior period adjustments (2/28/12 report)	(3,795)
6/30/10 balance restated	(2,694)
Net annual activity for FY10-11 previously reported	(379)
Net change in FY10-11 activity (2/28/12 report)	(3,480)
6/30/11 balance restated	(6,553)
Net annual activity for FY11-12 previously reported	-
Net change in FY11-12 activity (2/28/12 report)	(8,653)
6/30/12 balance before solutions	(15,206)
Council-adopted solutions (2/28/12)	15,206
6/30/12 balance after solutions	-

Structural Imbalance Continues and May Worsen

No one of these factors is the sole cause of the City's current financial crisis. Rather, the cumulative effect of all these factors created a financial environment which the City will be unable to address over time through growth. Past commitments have driven expenditures rapidly higher at the same time as the revenue gap has widened significantly. If ongoing revenues from 2009 grew at only 3% annually, the City would have $208.5 million in General Fund revenue in FY 2012-13, instead of the $154.9 million we expect, a gap of $53.5 million. Meanwhile, retiree health costs are projected to increase by 115% over the next 10 years, and pension costs by 94%. Public safety grants are ending, forcing the General Fund to absorb $6 million of costs by FY 2014-15. The City is being challenged through lawsuits that could force up to $12.5 million in back pay and add back over $18 million annually in personnel expense.

The City is ending the upcoming fiscal year with no reserves and faces a continuing structural imbalance between revenues and expenses of major proportions.

ACTIONS TO BALANCE BUDGET AND REDUCE COSTS

The City has already undertaken significant actions to balance the budget over the last two fiscal years, primarily through two strategies:

- The first included negotiating or imposing reductions in employee costs, which was intended to maintain as much staff as possible employed to provide critical, albeit reduced, services to the public.

- The second has been to eliminate many City positions which did result in significant reductions to service levels provided to the community. Both FY10-11 and FY11-12 City budgets contained a Plan A (more staffing/service cuts than labor cost cuts) versus a Plan B (more labor cost cuts than staffing/service cuts). Both budgets were ultimately balanced by a combination of the two. The FY 11-12 budget was balanced with $25 million in compensation reductions and $12 million in staffing reductions, mainly in the Fire Department.

1) Labor Cost Reductions

The City's first steps to reduce pay and benefit costs started in 2008 with the imposition of furloughs. In the following years the City offered early retirement incentives, and as the fiscal situation grew more desperate, furlough hours grew, and planned salary increases were eliminated. In 2011 a large number of compensation reductions occurred which included cost-saving modifications to the medical plans and the City capped its contributions to employee medical premiums. Also the "Add Pays" such as longevity, educational incentive, and master office pay were eliminated or reduced, and employees paid higher contributions (7-9%) to CalPERS.

These cuts are governed by a 10-point "Action Plan for Fiscal Sustainability" adopted by the City Council on June 22, 2010. This policy guided subsequent labor negotiations, and consists of the following elements:

1. Reduce or eliminate "additional pay" categories; authorize only when absolutely essential to performing special job tasks; ensure all compensation packages are fully, accurately and simply costed.
2. No side letters or past practices will be binding unless approved in public by the City Council.
3. No wage adjustments will be based on automatic inflators or formulae.
4. Strive to have all labor agreements expire at same time, particularly with public safety unions.
5. Employees to make reasonable contributions to health coverage.
6. Health contributions to be based on lowest cost plan made available by the City.
7. Employees to pay the entire employee CalPERS contribution and cost-sharing agreements shall be negotiated to share the burden of City pension costs; a "second tier" pension benefit shall be negotiated for new hires.
8. Vacation use work rules to minimize overtime, limit accumulation of hours, and restrict cash-outs.

9. Labor contacts to avoid inflexible staffing minimums and restrictions on management rights.
10. Bring overtime practice back in line with FLSA, minimize unneeded overtime.

The following highlights some of the changes either negotiated or imposed over the past four fiscal years for three of the largest employee groups:

Stockton City Employees Association: 2011 changes imposed via temporary imposed actions and subject to litigation challenges

- Furlough starting at 80 hours in FY08-09, increased to 96 hours in FY09-10, FY10-11 and FY11-12
- Forfeited COLAs of 2.5% at 7/1/10 and 2.5% at 7/1/11
- Employees pay Employee Share of CalPERS contribution, or 7% starting 8/1/11
- Modifications to medical plan over past two years, including higher deductibles, medical design changes from 100% to 80%, and City share of premium capped at fixed dollar amount in 2011.
- Temporary elimination of longevity 2.5% Add pay and 3% education incentive pay (2011)

Firefighters Union and Fire Management

- Elimination of COLAs: 3.68% for 7/1/08, 8.5% for 7/1/09, no COLAs through 6/30/12 (4.5-8.5%)
- Creation of second PERS tier for new hires (3%@55 in 2011)
- Employees pay PERS share of 9% starting 8/1/11
- Limits on numbers of staff qualifying for paramedic pay if not operationally required to act in that capacity (FY09-10)
- Eliminated minimum staffing requirements (FY11-12)
- Uniform allowance suspended in 2009, 50% reduction for 2010
- Modifications to medical plan over past two years, including higher deductibles, medical design changes from 100% to 80%, and City share of premium capped at fixed dollar amount
- Reduction of sick days from 15 to 12, reduction in vacation leave accruals, change in sick leave cash out at retirement, change in leave practice to reduce overtime in 2011
- Eliminate longevity vacation benefits 2011
- Eliminate tiller pay and unassigned paramedic pay for future employees 2011
- Eliminated longevity pay and grandfathered in current incumbents with a 2.5% reduction in longevity pay in 2011

- Eliminated educational incentive benefit of 3% effective August 2011
- Agreed to waive all back pay damages from 2010 emergency actions

Stockton Police Officers Association: 2010 and 2011 changes imposed via Emergency temporary imposed actions and subject to litigation challenge

- 6.5% total furlough deduction for FY09-10, reduced to 3% starting FY10-11, FY11-12
- Waive 2.5% COLA for 7/1/09
- Reduce uniform allowance by 50% (FY09-10); COLA's in 2010 and 2011 temporarily suspended
- Suspension of 2% City deferred comp contribution and 2% City retiree medical savings plan contribution (FY10-11 and FY11-12)
- Temporary suspension of master officer 5% pay and 3% education incentive pay 2011
- Temporary suspension of longevity pay for new hires, temporary 5% reduction in Longevity Pay for incumbent employees 2011
- Modifications to medical plan over past two years, including higher deductibles, medical design changes from 100% to 80%, and City share of premium capped at fixed dollar amount
- Employees pay PERS share of 9% starting 8/1/11

2) Staffing Reductions

In addition to significant reductions in labor costs, the City has been forced to make severe reductions in staffing and services.

Table 7 below shows the major declines in City staffing levels since FY08-09, which include these overall staffing reductions:

- General Fund sworn police officers: 25% *(Note:* Another 20 officers are paid by grants that expire at the end of FY11-12. The City must retain these positions for three years and the resulting funding gap is part of the General Fund shortfall.)
- General Fund fire staff: 30%
- General Fund Non-Safety staff: 43%
- Total City staff 25%

Table 7. City of Stockton Personnel Changes by Fund

City of Stockton Personnel by Fund

General Fund	08-09	09-10	10-11	11-12	Chng frm 08-09	Percent Change
Police-sworn	398	312	292	300	(98)	-25%
Police-non sworn	232	207	199	185	(47)	-20%
Fire	253	265	226	177	(76)	-30%
Subtotal Safety	883	784	717	662	(221)	-25%
Public Works	163	78	59	62	(101)	-62%
Library	105	69	57	57	(48)	-46%
Recreation	46	32	27	26	(20)	-43%
Administration	157	123	125	123	(34)	-22%
Subtotal Non-Safety	471	302	268	268	(203)	-43%
Total General Fund	1,354	1,086	985	930	(424)	-31%
Other Funds						
Police-Grants	6	17	31	25	19	317%
Police-Measure W	28	23	20	20	(8)	-29%
Fire-Measure W	40	22	21	21	(19)	-48%
Fire-Emergency Communica	17	-	-	-	(17)	-100%
Development Services	98	53	50	42	(56)	-57%
Street Maint/Gas Tax*	24	65	66	64	40	167%
Other Special Rev/Districts	48	46	37	28	(20)	-42%
Enterprises	171	189	199	208	37	22%
Internal Service	100	83	84	82	(18)	-18%
Total Other Funds	532	498	508	490	(42)	-8%
Total All Funds	1,886	1,584	1,493	1,420	(466)	-25%

*Gas Tax absorbed employees shifted from General Fund

SERVICE REDUCTIONS

About 68% of General Fund expenditures are allocated to labor and most are for public safety (75.7% in FY 2011-12). As a result, Stockton has had to make reductions in police and fire services despite the fact that the City ranks low in median income and high in total crime rate.

The following factors highlight why the impact of these public safety reductions are more critical in Stockton than most other California cities:

- The City of Stockton has the highest total crime rate per capita for any city with a population of 100,000 or greater in California.
- While violent crime rates dropped 5.5% nationwide in 2010, they were up in Stockton, which ranked 10th in the U.S. with 13.81 violent crimes per 1,000 residents.

- Despite this high service demand, budget cuts have reduced sworn police staffing from 1.52 per 1,000 residents in 2005 to 1.16 currently, the lowest ratio for cities over 250,000 population.
- The City has a lower level of sworn police staffing than has been recommended by industry standards or which is observed in other similar service settings. The 2006 Braga study recommended sworn officer staffing levels at 2.0 per 1,000 residents, which would require the addition of 248 police officers. At $140,000 per position and assuming a minimal 30% overhead in support staff, equipment and supplies, this would cost $48 million annually.
- The Fire Department responded to more than twice the number of fire calls of Fresno, Sacramento, or Oakland, each of which have a population of 50,000 -150,000 more in total population served and have more than twice the on-duty staffing.
- The Fire Department responded to 483 working structure fires last year, compared to 599 in the City of Fresno, 273 in the City of Oakland and 444 in the City of Sacramento. The City of Stockton has fewer than half the fire sworn staffing of the Cities of Fresno, Oakland, and Sacramento.
- AMR (the paramedic service provider in Stockton) exceeded its maximum emergency response time every 4 hours in the City of Stockton, compared to exceeding that response time criteria only every 70 plus hours in the cities of Lodi and Tracy.

Functional Service Reductions to Date

The following describes the service reductions and their impacts on the community that the City has been required to impose over the last two to three years.

Police Service Impacts: Low staffing levels have had the following significant impacts on safety for the community:

- Activation of a "condition blue" during times of peak activity where residents must use on-line or telephone reporting and depending on the type of report, the department may only respond to crimes-in-progress.
- Elimination of the School Resource Officer Program which puts the burden on school districts to provide funding for a law enforcement presence on campus. This has contributed to a rise in juvenile crime and gang membership.
- Reduction in gang and drug focused missions to only those funded with grants or outside agencies. Gang-related homicides have increased 525% in three years since the Gang Street Enforcement Team (GSET) was eliminated.
- Elimination of the Narcotics Enforcement Team resulted in an increase of drug trafficking within the City and also reduces the funds received through disposition of asset forfeiture proceeds. These proceeds are used to fund capital equipment and

other one-time needs such as tactical gear, weapons and protective equipment critical to equipping sworn staff.

- Significant cutbacks to Proactive Policing Strategy has erased all progress made in the mid-2000s, returning the city to the high crime rates and overwhelming perception that the city is no longer a safe place to live, work or raise a family. A limited Proactive Policing Strategy is employed only on a case-by-case basis.
- Elimination of Police equestrian program and Downtown Bike Patrol, except by contract, has reduced the visible presence of law enforcement in the downtown core and at events. As a result, vagrants are returning to the downtown and several purse and jewelry snatchings have occurred. When the patrols were in effect, virtually no crimes of this nature were committed downtown, especially in broad daylight.
- Reduction of Community Service Officers has severely limited the ability of the Police Department to attend community meetings and respond to non-emergency accidents and calls for service including traffic control and parking enforcement (which has also reduced traffic violation revenue).
- Elimination of security camera monitoring has negatively impacted investigations as valuable "eyes in the sky" are no longer able to spot crimes in progress or follow pursuits in downtown and 66 other target areas in Stockton. There are also no assigned camera room personnel to download recorded camera footage. Note: As this goes to print, the Council just approved two retired officers to operate a fraction of the cameras starting in June. However, this is not specifically budgeted.

Fire Service Impacts: Sworn staffing has been reduced from 225 total sworn positions at the beginning of FY10-11 to the current level of 181 for a total reduction of 54 positions, a reduction of nearly 32% in the past 24 months. Staffing on each piece of equipment has been reduced by one person per company, with truck companies currently staffed at four persons, and engine companies staffed with three personnel. In addition, one fire station and one engine company have closed due to the reduced staffing plan.

These reductions have had the following major service impacts on the community:

- Reduction in the number of trucks assigned in the northern half of the City, which increases the response time for a second truck company, when required, on all structure fires. This results in delays in the fundamental execution of certain truck assignments on working structure fires, such as ventilation and the establishment of a Rapid Intervention Crew (RIC). The RIC is a required element of a safe interior fire attack, as required by OSHA, when an immediate rescue is not present. Often referred to as the 'two-in, two-out' rule, a firefighting crew should not enter an environment that is hazardous to life and health, without a two person crew in a position to rescue the interior crew. A fourth engine company has been assigned to first alarm assignments for structure fires for the initial manpower to more effectively initiate essential tasks before the fires get too large.

- Increase in response times for engines located outside of the Fire Station One area by 1-3 minutes on average and an average increase in 5 to 7 minutes to residents and businesses within in the Fire Station One area. Even longer response times may be incurred as available engine or truck companies may be coming from a further distance due to the significant and ongoing emergency response load in the Fire Department's response area generally.

Planning and Development Services Impacts: The steep decline in building activity forced the City's Development Services Fund to eliminate 57% of its staff, with 45 of the 56 positions cut in FY09-10. The reduction in development activity and the inability of the General Fund to provide financial support for modern permit issuance (the current system is 20 years old) and property record systems results in significant customer service impacts, critical to the City's economic development objectives. These include:

- Increased Permit Center wait times
- Lack of online land use and building permit research
- Inability to submit applications or plans electronically

Public Infrastructure and City Facility Impacts: The City has been unable to dedicate sufficient dollars of regular and periodic maintenance of the city's public infrastructure or facilities for many years. The General Fund proposes to contribute just $1,575,000 in FY12-13 to capital improvements, with no funding programmed in the succeeding four years of the proposed 5-year Capital Improvement Program.

While not a complete list, the following illustrates the magnitude of the deferred maintenance and capital investment:

- *Vehicles*: The replacement backlog is $8.5 million, with 172 units past their useful life.
- *Trees:* About $3.1 million is needed to bring the urban forest up to an acceptable standard, with an additional $3.5 million is needed annually to provide proper maintenance.
- *Roadways*: Approximately $10 million per year is needed to maintain the City's roadways in their current condition; the City's current street maintenance program allocates only $2 million per year. The current condition can be quantified using a Pavement Condition Index (PCI) which provides an overall rating between 0 and 100 of the entire pavement in a community. The current PCI for Stockton is 66, which while in the middle of the fair range, will degrade 2 to 3 points per year. If the network is allowed to deteriorate, repairs become more expensive as cost effective maintenance strategies are no longer feasible.
- *Parks:* About $12 million would be required to bring play areas, park furnishings, irrigation systems, buildings, courts, ball fields, and flatwork up to a standard level, able to be maintained in the future.

- *City Facilities*: The proposed program to provide critically needed improvements to City Hall includes $7 million to replace the roof, replace the HVAC system, and update interior finishes. For a complete renovation, the cost is likely double that amount ($14 million). Other City facilities would require $6+ million to catch up on maintenance, not including about $7 million for roof repair alone.

Library Service Impacts: A significant reduction in operating resources has let to diminished customer services and literacy programs in City of Stockton libraries. Broad outcomes of such reductions include fewer public programs, fewer books and library materials available to the public and long wait times for materials that are available. Specific reductions in library services include:

- Reduction of open hours by 48% in City of Stockton libraries.
- Closure of the Fair Oaks library.
- Reduction of Mobile Library hours by 50%.
- Reduction in books and materials by 50% over the last six years, which severely impacts the ability to acquire new format materials, e.g., digital books.
- Suspension of Homework Center Grants offered to elementary and middle school students with low grade point averages and limited opportunities which put them at educational risk.

Community Program Service Impacts: As a result of the elimination of 15 full-time positions and an 80% reduction in part-time hours, Recreation programs have experienced significant service reductions including:

- Partial Closure of the McKinley Community Center in 2009. Most of the recreation programs were moved to other community centers, so residents have to travel further to participate in these recreation opportunities.
- Reduction in operating hours at all other community centers of 20%.
- Fewer recreational classes.
- Decrease in operational hours at the Pixie Woods amusement park and Oak Park Senior Center.
- Consolidation of After School Program (ASP) sites resulting in reduced programs for at-risk youth.

These service impacts have been required just to get the City to the point of a zero available fund balance at the end of the current fiscal year. Because of these actions, the City entered the AB 506 Mediation process with service levels that were already decidedly *below industry standards*, provided by a depleted work force which has incurred significant compensation reductions.

Possible Future Reductions

As part of the analysis leading up to the February 28, 2012 City Council action authorizing the commencement of the AB 506 Mediation process, City departments were asked to submit reduction plans to demonstrate the reductions that would have been necessary in order to balance the budget absent such an action. The scope and depth of the service impacts were severe and would have resulted in the elimination of essential community services, posing a safety risk to the community.

An average of 15% in department service reductions across the organization would be required to achieve $20 million in expenditure savings. While detailed in an attachment to the February 28 staff report, the following summarizes the scope of what would have been required and the impact of a 15% reduction in the areas of public safety and the city's infrastructure as these represent almost 80% of City expenditures.

Service Impacts If Further Police and Fire Future Reductions: A 15% reduction in public safety services (Police and Fire) would result in:

- Elimination of all 30 Community Services Officers, 64 sworn officers and a range of support staff in the Police Department. Police Officers would only be able to respond to the most serious violent crimes in progress. The number of cases investigated would be reduced to only those mandated and significantly lengthen the time to solve crimes. It would require near outright elimination of all special teams including Mobile Field Force. The department would be unable to provide basic traffic control for events or attend any neighborhood meetings. Animal Services and Graffiti Abatement would be eliminated. Significant reductions to records and telecommunications staff would result in dispatching delays and a reduction of public hours for customer service.
- Elimination of three fire engines and one fire truck, and the elimination of 41 sworn firefighter positions. The immediate impact would be extensive delays in response times that would, in most cases, exceed 10 minutes at a minimum due to simultaneous call volume and extensive response times. Call loads at periodic times during the day could make over half the City exceed the 4-minute response time, the current goal of department. Serious reduction in mandatory training required to maintain skill levels and excessive amounts of overtime to train on off-duty days due to emergency call workloads. Discontinuation of fire inspections currently conducted by suppression personnel putting the community and businesses at higher risk. Mandatory fire inspections would likely have to be conducted through additional staff or through overtime. An increase in an already high level of worker injuries due to increased call volumes.
- Increase in the contract and cost of AMR (paramedic services), if even possible, due to the need to augment emergency medical responses. The levels of emergency medical response in Stockton impacts local hospitals who occasionally have to close their emergency rooms due to an overload, which then results in tying up AMR resources who must augment hospital emergency room staff.

Impacts If Further Maintenance, Infrastructure and City Facilities Reductions: The FY 2011-12 General Fund allocation to Public Works was approximately $7.1 million. This funding is used for routine and reactive maintenance of parks, trees, and facilities. In the absence of a substantive capital maintenance program, the demand for routine maintenance will grow as infrastructure becomes older and prone to breakdown. Any further reductions will only hasten the deterioration resulting from deferred maintenance and require much larger investments in the future.

February 28, 2012 Actions Approved by the City Council

Notwithstanding all of the service and compensation reductions, and as a result of new staff thoroughly reviewing our accounting practices, the City was faced with a restated FY 2010-11 deficit of $6.5 million and a projected FY 2011-12 deficit of $8.7 million, which created a projected shortfall of $15.2 million in the General Fund as of June 30, 2012.

To address that shortfall, the City Council on February 28, 2012 approved multiple transfers of available funds from unrestricted sources and suspended debt payments from unrestricted funds for the balance of the current fiscal year. Almost all of these transfers were reserves accumulated by the affected programs for strategic reasons, such as equipment replacement. Despite having four months left in the fiscal year with no reserves, these actions were taken to avoid an uncontrolled insolvency or default.
The transfers made were as follows:

- Reallocate Library fund balance and cancel selected capital projects ($721,000)
- Draw Measure W reserves through additional staff allocations ($1.2 million)
- Reallocate the 400 E. Main operating reserves and amount appropriated for moving City Hall to that building (total $2.5 million)
- Reallocate Entertainment Venues fund balance ($570,000)
- Reallocate unencumbered General Capital Projects fund balance and cancel most if not all projects not yet in progress ($798,000)
- Reallocate $6.0 million in Internal Services Fund balances for Vehicles, Pension, Unemployment and LTD/Life Insurance
- Cancel and take back $1.3 million endowment from the Arts Commission
- Cancel debt service payments totaling $2.0 million due to be paid before 6/30/12, which constituted Events of Default on the part of the City.

In addition, the Council ratified actions taken by the City Manager under the fiscal emergency resolution to temporarily suspend annual vacation sellback, cash payoffs of vacation leave, and vacation leave, sick leave and holiday leave hours paid at separation to City employees.

Organization and Community at Risk

As discussed at the February 28, 2012 City Council meeting, our employees and the Stockton business and residential community who rely on City services have borne the entire brunt of budget restructuring efforts to date. As an organization, we are critically concerned about our ability to recruit and retain employees, who are relied upon to deliver even a basic level of service to a community that needs more than that to position itself for a sustainable future.

The City must now turn to other paths, entities and strategies to pursue relief and develop a sustainable course. The only alternative is more radical service reductions in public safety, which we believe would pose significant risk to the community. We believe material reductions in active employee compensation will harm the capacity of the City to provide services. Another option would be to ask for tax increases. Even if voters would approve such a proposal, it is too late to benefit FY 12-13 and we don't believe they should be asked to fix the entire problem. The City must first explore other alternatives, and get our fiscal house in order.

More importantly, as shown in the long-term budget forecast, the problems the City face are so severe that neither increasing taxes or cutting services, even if implemented aggressively, are enough to mitigate the situation and make Stockton a viable city. Focusing only on current revenues and expenditures avoids a large source of the problem – debt and other contractual liabilities – that can only be addressed through the AB 506 mediation process and/or chapter 9 bankruptcy proceedings.

AB 506 MEDIATION PROCESS

The AB 506 process (Government Code Sections 53760-53670.7), which became effective January 9, 2012, provides for a confidential neutral mediation process as a precondition to or in lieu of (if successful) filing a chapter 9 petition. The goal of AB 506 is to avoid bankruptcy court by achieving a negotiated solution to a city's financial challenges with the same parties that would otherwise be involved in a chapter 9 case. On February 28, 2012 the City Council approved entering into an AB 506 process. Ralph Mabey, a former bankruptcy judge, law professor and widely respected bankruptcy lawyer, was jointly selected by the City and the participants. The mediation process is underway.

The AB 506 process is an intense and complex one that is being used only by the Cities of Stockton and Mammoth Lakes. It includes a long list of interested parties with whom the City attempts to forge a successful restructuring process in a very compressed period of time that will need to generate a significant amount of savings. The AB 506 process requires a significant amount of coordination of staff, attorneys, consultants and outside parties, and generation of financial information and analysis.

The AB 506 mediation process is confidential pursuant to State law. Therefore the proposals to the interested parties for savings to the City's General Fund cannot be disclosed. The proposals

made are based on the City's critical need to make significant changes in the City's cost structure to move the City toward health and sustainability. To the extent the savings realized through AB 506 are less than the projected shortfall from the baseline budget with fiscal stabilization expenses, closing the remaining shortfall and re-establishing a reserve will require additional budget cuts or new revenues. However, further expense reductions will exacerbate the current level of service delivery insolvency.

REVENUE OPTIONS

Revenue increases, except in limited instances involving fees, require voter approval. A general tax requires a simple majority of the voters and a specific tax would require two-thirds of the voter's approval. Depending on the level and/or type of tax increase, deficits could be erased while maintaining current service levels, which are considered unacceptable by most of Stockton. A case could be made for higher tax increases to improve service levels, which will ultimately be needed to move Stockton forward. Our budget modeling indicates that an increase in the sales tax of .5% to the authorized local maximum of 1%, plus an increase in the Utility Users Tax by approximately 2% would be necessary for the City to approach minimum service level solvency.

However, obtaining approval for tax increases in the current environment may not be feasible due to the uncertain economy and until the community has confidence that the City has developed budget discipline with a sound fiscal sustainability plan in place. We believe the electorate would not support new taxes given our litigation risks and the costs of our current retiree health program. At a minimum, this will require restructuring of obligations pertaining to labor, retirees, debt and other contracts and claimants. Once the City of Vallejo got their fiscal house in order, their citizens just barely approved a general tax increase.

CONTINGENCY OPTION: AUTHORIZATION TO SEEK CHAPTER 9 BANKRUPTUCY, IF THE AB 506 MEDIATION PROCESS DOES NOT RESOLVE THE CITY'S FINANCIAL CHALLENGES

Because the City will be cash insolvent on the first day of the next fiscal year (July 1, 2012) absent severe cuts risking the health, safety and welfare of residents or a successful AB 506 mediation, staff recommends that the City Council approve a resolution now authorizing the City Manager to file a petition seeking protection under chapter 9 of the United States Bankruptcy Code if the mediation process does not cure the City's insolvency on or before June 25, 2012. This delegated authority is similar to an advanced health care directive or what you might do when we are in the midst of labor negotiations. You might authorize the imposition of our last best offer into the future, but you also direct staff to continue negotiations. It's only when negotiations fail, do I have the authority to implement the bankruptcy step. This authority will not be exercised unless certain things take place. We will continue to negotiate with our creditors with the goal of avoiding a chapter 9 filing.

The General Fund is expected to deplete its available reserves as of June 30, 2012. No viable General Fund budget has been identified for the fiscal year beginning July 1, 2012, within the bounds of the City's existing contractual commitments. Absent appropriations from a State constitutional and City charter requirement for a balanced budget, the General Fund will not have the legal authority to continue services after July 1.

Purpose of Chapter 9 Bankruptcy

Chapter 9 is a remedy of last resort for cities that, after attempting to do so in good faith, cannot pay or renegotiate their debts as they come due. Just as with an individual (chapter 7 bankruptcy) or a corporation (chapter 11) which owes more than it can pay, chapter 9 provides a city with breathing room by giving it relief from its creditors until it can adjust its debts through a comprehensive plan that must be approved by the federal bankruptcy court. Bankruptcy will not create new revenue. However, it will allow the City to take actions contrary to existing contractual obligations for the purpose of allowing continued General Fund operations.

A chapter 9 filing, if approved, would allow the City to do the following:

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

- Enjoin enforcement actions against the City by its creditors, whose current obligations cannot be paid due to the City's inadequate resources.

- Provide the City and its creditor constituencies time to negotiate settlements which will provide long-term stability.

Background regarding chapter 9 bankruptcy is provided in Attachment A, which is reprinted from a publication entitled "Bankruptcy Basics" on the website maintained by the Administrative Office of the United States Courts, and may be found at www.uscourts.gov. The mechanics of a bankruptcy filing are fairly straightforward. The City will file a petition requesting an order from the bankruptcy court affirming that it is eligible for chapter 9 relief, i.e., that it is truly bankrupt and should be allowed to take advantage of the protections of the Bankruptcy Code. This petition will be supported by sworn declarations by City personnel, which will serve as evidence of the City's eligibility.

Stockton would not be the first California city to seek chapter 9 protection. Approximately four years ago, the City of Vallejo filed a chapter 9 petition before the start of FY08-09, when it otherwise would have been insolvent. Before Vallejo, the need for chapter 9 relief usually arose from a one-time financial catastrophe—a large legal judgment against a small city, for example. Vallejo was the first major California city to file a bankruptcy case because it was become *structurally* insolvent, squeezed by unsustainable expenses and stalled revenues to the point that it burned through all its reserves and its budget could not be balanced without chapter 9 relief.

Vallejo's experience starkly highlights both the positive and negative aspects of a bankruptcy filing, and offers lessons for Stockton. On the positive side, its chapter 9 case enabled Vallejo to significantly restructure labor and debt contracts that were otherwise unsustainable. It reduced long term obligations by over one hundred million dollars. Several key legal issues of first impression were decided in Vallejo's favor, decisions which will provide helpful guidance to Stockton. On the other hand, Vallejo's bankruptcy case was long and very expensive, in large part because litigation of the many new issues involved consumed millions of dollars. Additionally, Vallejo's bankruptcy was only one case; it did not conclusively determine every aspect of chapter 9 law. A different bankruptcy judge might either decide some issues raised in Vallejo differently or decide novel legal issues against the City. Further, a chapter 9 filing likely will be expensive. However, Stockton's debilitating long term obligations approach $1 billion. Relief from such obligations can greatly improve the City's viability. Furthermore, even if the AB 506 fails to produce a global settlement, the amount of time and data shared with our creditors will hopefully put us ahead of Vallejo (time in bankruptcy) if we were to make a chapter 9 filing. Despite these risks, absent some alternative resolution to its fiscal crisis, the City's current financial condition may, if AB 506 is not successful in sufficiently restructuring the City's obligations, require the filing of a bankruptcy petition because the City will have no other alternative.

State Auditor's Report

As noted above, five teams of auditors from the State Controller's Office have projects underway examining Gas Tax reporting, Redevelopment Agency issues, Federal funds passed through the State and State grants and revenues, mandated state program costs for domestic violence reporting and internal and administrative controls. Periods under examination range from Fiscal 2001 through Fiscal 2010. We have been aware that there have been serious issues with financial reporting and management since the summer of 2011 and have committed countless hours to identifying and remedying problems. We are committed to addressing problems identified by any source as soon as possible.

Some observers appear to believe that the results of the State Controller's audit (or our independent audit) will produce reports that indicate that additional resources will be found to address the resource constraints that have made the City insolvent. However, the State Controller's audit focuses on conditions and reporting that ranges from two to eleven years old. Their audit will not result in new resources being available to solve the City's General Fund problem going forward.

The preliminary results of our own independent CPA's audit examination have not resulted in findings that would increase available unrestricted fund balances. Insolvency is a problem now and depends on our forecasts of future results. The grave situation facing the City now and next year leave no doubt about the City's solvency. The hard work and analysis of our staff indicate that there are no undiscovered or undisclosed pools of resources that could address the City's ongoing structural deficit. We expect improved revenues this year to offset unexpected costs through the end of this year but those resources are far short of the

accumulated obligation resulting from imposed compensation concessions and bond defaults. We can project a small positive unrestricted available fund balance only if the liabilities associated with existing defaults and impositions are ignored.

City Operations during a Chapter 9 Bankruptcy Case (Pendency Plan)

Even though filing a chapter 9 petition would place the City within the jurisdiction of a federal court, the bankruptcy court lacks the authority to interfere with "the political or governmental powers" of the City of "any of the property or revenues" of the City. This limitation on the court's power is unique to chapter 9 cases. It means that the City retains autonomy over its finances and operations throughout the bankruptcy case.

The bankruptcy court may decide issues such as whether the City is eligible for bankruptcy and whether its plan of adjustment (exit plan) satisfies the requirements of the Bankruptcy Code, but it cannot interfere with the City's day-to-day operations. Instead, the City will continue to operate and will deliver what services it can to its residents within available resources. Since it is by definition insolvent, it must adopt a budget (referred to as a Pendency Plan in chapter 9) that will serve as its day-to-day roadmap until the bankruptcy court approves the long-term plan of adjustment which will comprehensively restructure the City's debts and set the City on the path to solvency. Staff is preparing a proposed Pendency Plan, and anticipates that it will be brought before the City Council later this month before a potential chapter 9 filing, if AB 506 is unsuccessful.

CONCLUSION

The City's financial situation is serious and all of the steps being taken now – including the AB 506 process – are essential. However, the City must plan for a contingency in the event that AB 506 is unsuccessful. That contingency is filing chapter 9. We respectfully recommend that the City authorize the contingency option of filing a chapter 9 case in light of the unacceptability of further, significant service reductions if the AB 506 process fails to result in sufficient restructuring of obligations to render the City solvent.

Respectfully Submitted,

BOB DEIS
CITY MANAGER

Attachment A - Bankruptcy Basics

ATTACHMENT A: Bankruptcy Basics: United States Courts

http://www.uscourts.gov/FederalCourts/Bankruptcy/BankruptcyBasics/Chapter9.aspx

Municipality Bankruptcy

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

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

Purpose of Municipal Bankruptcy

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

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

Eligibility

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

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

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

    - obtain the agreement of creditors holding at least a majority in amount of the claims of each class that the debtor intends to impair under a plan in a case under chapter 9;
    - negotiate in good faith with creditors and fail to obtain the agreement of creditors holding at least a majority in amount of the claims of each class that the debtor intends to impair under a plan;
    - be unable to negotiate with creditors because such negotiation is impracticable; or
    - reasonably believe that a creditor may attempt to obtain a preference.

Commencement of the Case

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

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

Assignment of Case to a Bankruptcy Judge

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

Notice of Case/ Objections/ Order for Relief

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

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

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

Automatic Stay

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

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

Proofs of Claim

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

Court's Limited Power

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

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

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

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

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

Role of the U.S. trustee/bankruptcy administrator

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

administration of the case. Further, the U.S. trustee does not monitor the financial operations of the debtor or review the fees of professionals retained in the case.

Role of Creditors

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

In each chapter 9 case, however, there is a creditors' committee that has powers and duties that are very similar to those of a committee in a chapter 11 case. These powers and duties include selecting and authorizing the employment of one or more attorneys, accountants, or other agents to represent the committee; consulting with the debtor concerning administration of the case; investigating the acts, conduct, assets, liabilities, and financial condition of the debtor; participating in the formulation of a plan; and performing such other services as are in the interest of those represented. 11 U.S.C. §§ 901(a), 1103.

Intervention/Right of Others to be Heard

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

Powers of the Debtor

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

A municipality has authority to borrow money during a chapter 9 case as an administrative expense. 11 U.S.C. §§ 364, 901(a). This ability is important to the survival of a municipality that has exhausted all other resources. A chapter 9 municipality has the same power to obtain credit as it does outside of bankruptcy. The court does not have supervisory authority over the amount of debt the municipality incurs in its operation. The municipality may employ

professionals without court approval, and the professional fees incurred are reviewed only within the context of plan confirmation.

Dismissal

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

Treatment of Bondholders and Other Lenders

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

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

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

Plan for Adjustment of Debts

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

Confirmation Standards

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

1. the plan complies with the provisions of title 11 made applicable by sections 103(e) and 901;
2. the plan complies with the provisions of chapter 9;
3. all amounts to be paid by the debtor or by any person for services or expenses in the case or incident to the plan have been fully disclosed and are reasonable;
4. the debtor is not prohibited by law from taking any action necessary to carry out the plan;
5. except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that on the effective date of the plan, each holder of a claim of a kind specified in section 507(a)(1) will receive on account of such claim cash equal to the allowed amount of such claim;
6. any regulatory or electoral approval necessary under applicable nonbankruptcy law in order to carry out any provision of the plan has been obtained, or such provision is expressly conditioned on such approval; and
7. the plan is in the best interests of creditors and is feasible.

11 U.S.C. § 943(b).

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

The requirement that the plan be in the "best interests of creditors" means something different under chapter 9 than under chapter 11. Under chapter 11, a plan is said to be in the "best

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

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

Discharge

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

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

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

RESOLUTION NO. 2012-06-05-1501

STOCKTON CITY COUNCIL

RESOLUTION CONTINGENTLY AUTHORIZING THE FILING OF A PETITION UNDER CHAPTER 9 OF THE UNITED STATES BANKRUPTCY CODE

The City Council (the "Council") of the City of Stockton (the "City") has determined that the City faces an immediate and severe fiscal crisis and that it is or likely will become unable to meet its financial obligations as and when those obligations are due or become due and owing; and

Government Code sections 53760 through 53760.7 (collectively, the "Act") establish a confidential neutral evaluation process that the City and certain interested parties (as defined in the Act) (the "Interested Parties") are using to attempt to reach a mediated and negotiated resolution of their disputes in order to avoid the need for the City to seek relief pursuant to Chapter 9 of the United States Bankruptcy Code; and

By Resolution No. 2012-1502-03 adopted on February 28, 2012, the Council determined that it was in the best interests of the City, its citizens, employees, creditors, and Interested Parties to promptly commence a confidential neutral evaluation process pursuant to the Act, and delegated to the City Manager and his delegees the power to negotiate on the City's behalf with those Interested Parties who elected to participate in the Act's neutral evaluation process, with any agreements reached in the mediation subject to final approval by this Council; and

The City Manager initiated the neutral evaluation process on February 29, 2012, which process initially was scheduled to expire on May 26, 2012, pursuant to Government Code section 53760.3(r); and

On March 27, 2012, the City and the Interested Parties selected former United States Bankruptcy Judge Ralph Mabey to serve as the neutral evaluator, and have been negotiating actively and in good faith; and

On or around May 21, 2012, a majority of the Interested Parties elected to extend the neutral evaluation process by an additional 30 days until June 25, 2012, pursuant to Government Code section 53760.3(r); and

City Atty Review
Date May 30, 2012

Despite the pending neutral evaluation process, given the City's dire financial condition and taking into consideration the advice of City staff and counsel, the Council has determined that it is in the best interests of the City to delegate to the City Manager and his delegees the power to file a petition for protection under Chapter 9 of the United States Bankruptcy Code, should he determine that the neutral evaluation process has not resolved the City's financial and solvency issues prior to the end of the current fiscal year; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

Section 1. Findings. The foregoing recitals are true and correct and this Council hereby so finds and determines. The Council hereby makes the following additional findings:

(a) On February 28, 2012, the Council adopted Resolution Nos. 12-1502-01, 12-1502-02, and 12-1502-03, in which the Council found that the City's financial condition was continuing to deteriorate and adopted certain actions. The Council reiterates and reaffirms its findings and actions contained in Resolution Nos. 12-1502-01, 12-1502-02, and 12-1502-03.

(b) Based on the analysis provided by City staff and counsel, the Council determines that without restructuring of the City's financial obligations through either the neutral evaluation process or through a Chapter 9 bankruptcy case, the City will be insolvent on June 30, 2012, the end of the current fiscal year, and in the fiscal year that begins on July 1, 2012.

(c) The Council determines that services provided to the community have fallen to unacceptably low levels due to prior budget reductions, and that further cuts would reduce services to levels that would endanger the health, safety, and welfare of the community.

Section 2. Authorization To File Chapter 9 Petition.

(a) As a contingency option should the City Manager determine that the neutral evaluation process has not resolved the City's pending disputes with creditors and its solvency issues, the Council hereby resolves that a petition for protection under Chapter 9 of the United States Bankruptcy Code shall be filed.

(b) The City Manager, or his delegee, is hereby authorized and directed, on behalf of and in the name of the City, to execute and verify such petition and cause the same to be filed with the United States Bankruptcy Court, Eastern District of California, Sacramento Division.

(c) The City Manager and all other appropriate officials and employees of the City are hereby authorized to execute and file all petitions, schedules, lists, and other papers, and to take any and all actions which they shall deem necessary and

proper in connection with said Chapter 9 case, and with a view to the successful completion of such case.

Section 3. Other Actions. The City Manager, City Attorney, Chief Financial Officer, City Clerk, and other appropriate officers of the City, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

Section 4. Effectiveness. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, AND ADOPTED June 5, 2012.

ANN JOHNSTON
Mayor of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton

Summary of Pendency Plan Changes for Employees

Date: June 16, 2012

1. Furloughs.
All Units but Fire/Fire Mgt. Propose for FY 12/13 and FY 13/14, a 96 hour furlough (62 hours for POA) in both years be implemented. The City has had a 96-hour (62 hr. for POA) for a number of years. This furlough would be implemented in same manner as FY11/12 furlough. For non 24-hour operations closure would be in December each year.

Savings in FY 12/13 and 13/14 **$4,737,086, $ 2,676,319 GF**
Savings in FY 14/15 **none**

2. POA. Making permanent all the 2011 and 2010 compensation and benefit changes temporarily imposed in emergency actions. Effective July 1, 2012

- Elimination of 2010 and 2011 raises
- Elimination of 3% Education Incentive Pay
- Elimination of 5% of POA Longevity pay
- Elimination of 5% Master Officer Pay
- Employees pay own PERS payment of 9%
- Cap on City contribution to medical plan
- Change in medical benefit design in Modified Plan.
- Elimination of City payment for Retiree Medical Trust 2%
- Change in uniform allowance to $950
- POA def. comp payment (2010 and 2011) 2%

Savings $10,418,752 All, $8.843.326 GF
Not included in baseline so not additional savings for deficit reduction

3. SCEA. Making permanent all the 2011 compensation and benefit changes temporarily imposed in emergency actions. Effective July 1, 2012

- Elimination of 2.5% 2011 Cola raise
- Elimination of 3% Ed. Incentive Pay
- Elimination of 2.5% Longevity Pay
- Employees Pay own PERS payment of 7%
- Cap in city's contribution for medical plan
- Change in medical benefits design in Modified Plan

Savings FY11/12 $ 5,315,538All, $3,015,581 GF
FY 12/13 $7,917,427 All, $3524,119 GF
FY 13/14 $7,917,427 All , $3,524,119 GF
Not included in baseline so not additional savings for deficit reduction

4. B and C and SCEA only. Eliminate all new cost of living salary increases and deferred compensation increases provided for in current MOU in FY 2012/13, FY 13/14

Savings **FY 12/13 $1,128,000, $518,000 GF**
FY13/14 $533,000, $238,000 GF

5. POA, SPMA, OE3 Trades. B and C and SCEA. Propose structural changes to reduce future costs that were previous made in 2011 for Fire, Fire Mgmt., Operations, and Water Sup. And Unrepresented groups.)

- Change/reduce vacation accruals, establish maximum caps and annual cash outs to same as other units
- Reduce number of sick leave days from 15 to 12,
- POA, SPMA and SCEA only .New Retirement Tier for new hires. The new tiers are 3@55 for safety and 2@62 for miscellaneous with no additional benefits added (B and C and Trades already agreed in 2011)
- POA and SCEA only. Eliminate all forms of retiree medical for all employees hired **7/1/11** same as other units. (SPMA, B and C and Trades has already agreed in 2011)
- Trades, B and C and SCEA only. Eliminate City paid salary supplement for employees on workers compensation. (OE3 Operations and Water Sup. already agreed).

Most of savings from these changes are long term or is limiting growth of current liabilities. There is 2-3% cost savings from retirement change as new hires are made. There is an immediate savings of approximately $300,000, $150,000 GF from eliminating salary supplement to workers compensation.

Savings There is not an identified dollar savings to these changes in FY 12/13 except for Workers Compensation salary supplement, which is
Savings $ 300,000 All, $150,000 GF

6. **Eliminate Longevity Pay** grandfathered **over 2 years. Propose in FY 12/13 that 50% of pay is eliminated July 1, 2012 and the balance is eliminated on July 1, 2013.** These unions agreed to eliminate Longevity Pay going forward but the parties agreed that incumbents currently receiving it would keep it. Fire, Fire Mgt. and Unrep. Police and Fire longevity was reduced by 2.5% as well for incumbents.

Units	Current Costs	
Unrep.	$80,016	$37,927 GF
Unrep Police 7.5%	$20,202	$20,202 GF

Unrep. Police 3.5%	$8,923	$8,923 GF
B and C	$150,541	$34,474 GF
Fire Mgmt. 2.5%	$22,360	$22,360 GF
Fire 2.5%	$ 158,823	$141,857 GF
Fire/Fire Mgt.2.5- 8.75%	$146,357	$131,722 GF
SPMA 1.2%	$3.013	$3,013 GF
SPMA 3.5%	$95,724	$95,724 GF
SPMA 5.5%	$56,942	$56,942 GF
Trades	$71,299	$21,869 GF
O and M	$46,663	0 GF
MUD	$7,473	0 GF
TOTAL Savings in FY 13/14	$ 876,070 All,	$583,934 GF
Savings in FY 12/13	**$438,035 All,**	**$291,967 GF**

7. POA Longevity. Effective July 1, 2012 or later dates

- **Eliminate extra 5% Longevity Pay for Sgts**. Effective June 30, 2013

Savings	**$248,819**	**$194,937 GF**

- **Eliminate POA Longevity Pay by reducing of POA Longevity by 4% , except however for individuals having already seen a 22% reduction in 2011 (from reductions in Longevity, Master Officer Pay, Ed. Incentive and payment of employee PERS contribution only) who shall have a 1% reduction in Longevity Pay effective July 1. 2012. Eliminate remainder of POA longevity effective July 1, 2013.**

Total Savings in FY13/14	$1,478,610,	$ 1,293,000 GF
Savings in FY 12/13	**$503,610,**	**$438,000 GF**

8. Fire and Fire Mgmt. only. This proposal eliminates this ADD pay for incumbents by reducing by 50% of ADD Pay amount effective July 1, 2012 and eliminating balance effective July 1, 2013.

• Tiller pay	$60,125	$53,871 GF
• Unassigned Paramedic Pay	$59,654	$53,450 GF
Total Savings in FY 12/13	$119,779 All,	$107,321 GF
Savings in FY 13/14	**$59,889 All,**	**$ 53,660 GF**

9. Fire and Fire Mgt. only Reduce Add Pays over the survey average.

- Ed. Certificate Pay. Stockton 3/6%. Survey average 4.6%. Reduce 6% certificate pay by 1%.

Savings $146,543 All, $131,112 GF

- Eliminate Paramedic Pay for Fire Mgt. 3%.
  Savings $37,484, $37,484 GF

- Reduce Paramedic Pay. Reduce 11% Add Pay to 9%.
  Savings $59,086, $52,941 GF

- Paramedic Pay for unassigned captains. Change to unassigned rate.
  Savings. No savings, dept. head indicates will make all of them assigned.

- Adm. Assignment Pay. Reduce current pay to 10%.
  City pays 19.67% (6.3% from 2011 to fix 40-hour workweek, 10% in MOU and 3.33 not in MOU).
  Savings
  Fire Mgt. $24,255, $12,474 GF
  Fire $68,968, $54,474GF

- Continuing Ed. Pay as overtime.
  Add language to control cost by requiring approval of Chief before costs incurred.
  Savings may already have been achieved

10. POA. Reduce Add Pays over labor market

- Eliminate PERS credit for Prof. Growth
  Savings none

- Motorcycle Add pay 6.9%. (Paid as OT) Reduce by 3.9%
  Savings $49,708 $43,246 GF

- SWAT Add pay 4.3% (paid as OT). Reduce by 1.3%
  Savings $34,758 $30,240 GF

- Eliminate $2 a month City payment for legal defense fund for all employees.
  Savings $7,608 $7,056 GF

11. All units. City Paid Life Insurance. Reduce face value amount of life insurance for all groups to $50,000 only ($50k is federal limit for not taxed Life insurance benefit)

Savings. $190,546 All, $ $158,788 GF

12.All units City Paid LTD.

- All Units on City Plan. Change 30 day waiting period to 90 days. Current cost rate (does not include fire, fire mgt. and POA) is 1.35% of payroll.

Savings. $388,752 All , $194,376 GF

- POA, Fire and Fire Mgmt. not on City LTD Plan. Change how LTD is paid for Fire, Fire Mgmt. and POA by making payment not be part of salary. Instead of these groups being on City Plan, City pays $17 a month for Fire/ Fire Mgmt. and $20 a month for POA as salary. Employees then pay for own LTD plan. Because City pays this as salary it must also pay full roll up on these amounts. City cost for benefit is $113,352 but additional roll up costs adds $68,000 to City's costs. Change back to previous practice of making separate non-salary payments for LTD.

Savings $52,709All, $48,554 GF

- SPMA . Cap City contribution for LTD at rate in effect 7/1/12

Savings None, avoids increases in future

12. Unrep. Mgmt. and B and C. Eliminate lifetime medical insurance benefit for family of deceased employees.

The City has been providing a full lifetime paid medical to the family of management employees who die while employed. There is no minimum years of service the employee has to have worked for Stockton to qualify for this benefit, the death does not have to be job related and there are no rules about how the benefit is administered (spouse still gets it if remarried). No agencies provide this. This elimination does not apply to safety employees who die in the line of duty. That benefit is a state requirement and is regulated by state law. The City is reimbursed by the State of California for those costs for safety employees. Current cost for non-safety $45,000 a year.

Savings Costs included in retiree medical plus future avoidance of new costs

I3. All units. Holidays

- **Reduce number of holidays by 1 to survey average.**

POA based on paid holidays	$119,562	$104,019 GF
SPMA based on holidays paid	$ 16,480	$16,480 GF
Fire/Fire Mgt. reduction in salary for holiday	$ 197,884	$178,095 GF
POA standby on holidays reduced.		Not able to calculate
POA overtime on extra holiday worked?		Not able to calculate
All other units.	No dollar savings but 8 hours increased productivity.	
Total savings	**$333,926**	**$298,594 GF**

- **Eliminate language in MOUs that automatically make as City holidays any days declared by governor or president as holidays.** Most agencies either do not have this language or they require City Council ratification. (Already removed by Fire and Fire Mgt.)

Savings Future cost avoidance

- **Clarify that the hour value of 1 holiday is 8 hours of paid time off. Change all language that is in conflict with this. Eliminate language that grants higher number of hours for holidays such as for 9 hour, 10 hour and 24 hour work days**

Savings Not able to calculate, but increased productivity by reduction of excess holiday hours being granted. Will also reduce overtime costs when employees work holidays

15.All units except for OE3 Trades. Payment of Unused Sick Leave at separation. Eliminate Cash Out of unused sick leave hours at separation. City has app. $20 million liability of hours on books as of 6/2011. Employees retiring retain ability to get PERS service credit for unused sick leave hours.

Savings $1,638,883 $1,294,717 GF

16 All units. Family sick leave use.

- **Reduce available sick leave hours for family illness from current of all hours available to state required amount of 50% of annual accrual of sick leave.** City allows most units to use all or majority sick leave hours for family use. State law and vast majority of survey agencies limit it to 50% of annual earned sick leave of 12 days a year. Cost of family sick leave is $935,449 in 2010/11 not including OT to cover for absences.

Savings not known since we don't know individual usage
Likely reduce abuse in individual situations.

- **Change Definitions of family in sick leaves to be consistent in all units.** Inconsistent definitions in MOUs make administration difficult.

Savings. None but adds consistency of application

17. All units. Control sick leave abuse.

Make changes to MOU language to give departments tools to control abuse. Eliminate requirement that departments can only ask for doctors note after 3 consecutive days off.

Sick leave use average in 2010/11 was 101 hours or 12.6 days per employee of the 15 days they were earning each year. Highest use is Fire at 250 hrs. (Up from 142 in previous year). Abuse reported in newspaper. Departments cannot ask for proof of sick unless employee has been off 3 consecutive days.

Savings not known. Depends on how depts. Better manage time off.

18. All units. Vacation Pay at separation. Propose that for a period ending July 1, 2014, employees who leave before that date will receive a payout of leave balances as follows: 1/3rd or $10,000 whichever is greater at separation, 1/3rd or $10,000 whichever is greater at 1 year from their separation date and the balance at 2 years from their separation date.

Savings None, cash flow

19. All units. Workers compensation.
Propose change in past practice/MOUs to allow for City designated doctors for workers compensation illness or injury unless the employee has pre designated before illness or injury.

Savings. Not able to calculate. Any savings would be in WC fund.

20. **Overtime.**
Implement changes to compensation or practices that impact amount of OT paid or are over market. Current city overtime costs app. $10 million in 2011

- **All units. Change time off hours paid for jury duty to actual hours from part/ full day minimum**

  Savings. Not able to estimate/ increased productivity.

- **All units. Change to calculation of how overtime is paid to federal statuary required hours worked (excluding furloughs) rather than City MOU agreement of all hours paid.**
  Change will reduce costs of overtime and will also make it more difficult to abuse overtime. Savings estimated from payroll at at $250,000 POA, Fire at least $150,000, others not sure. Difficult to calculate actual savings with current payroll system.

  Savings $400,000, $380,000 GF

- **Fire and Fire Mgt. Units. Change FLSA Fire 7 K exemption from 28 day work week period schedule to 24 day work week period.**
  Fire works a 56-hour workweek and under FLSA can use a longer workweek period than 7 days to calculate when Overtime is owed to an employee. Some times with Fire schedules part of their normal work hours ends up having to be counted as overtime hours under FLSA even with the longer FLSA allowed period. Several years ago the Fire dept. changed the fire work schedules but did not change the language in the MOU regarding the FLSA work period. Cost savings is an estimate.

  Savings $30,000, $27,000 GF
  Note, This was the Fire Chiefs proposal and estimate of savings , He is now asked that it be removed and he will take cut in his budget to cover.

- **POA /SPMA. Change Call Back minimums to 2.45 hours.**
  Call back is the minimum number of hours the employee will get paid when they are required to return to work for overtime. Currently 2.45 hours is minimum for SCEA, O and M and other groups except for SPMA and POA, which is 3 hours.
  Savings cannot be calculated at this time. Due to City's record keeping not sure how much of time listed is just the Call Back minimum versus actual hours worked, so not sure how to estimate actual savings from POA and SPMA. Costs in 2010/11 were $1,750,000 for Call Back for these two groups.

  Savings. Not able to calculate with available records

- **POA. Change Call Back minimum number of hours paid for Court appearances to 3 hours.**
  POA's MOU also provides a separate Call Back minimum for court appearances on days off. Current minimums are between 3 hours to 7 hours. This is over the survey average of 2.25 hours and most other agencies do not have a different call back for court. With current record keeping not able to calculate actual savings of change. Current POA costs for court related Call Back is $350,000 a year.

  Savings Estimate $35,416, $33,114 GF.

- **All units. Eliminate double payment of Call Back Paid Time, Regular Over Time and Standby Pay. Discontinues practice of paying Standby Pay for hours that are being paid as overtime or Call Back.**
  Currently City employees on "Standby" continue to get "Standby Pay" when they are actually called back to work and are being paid overtime pay for the same hours. Current city wide Standby Pay is $520,000 a year ($240,000 in POA). Cannot tell from city records how much Standby is being paid on current hours where Overtime is also being paid. Assuming 10% reduction in Standby Pay.

  Savings $52,837, $24,481GF

- **All units. Standby Pay. Change Standby Pay rate to fixed hourly rate rather than number of hours at individual employee hourly rate plus Add Pays per standby shift. Change rate to $3 an hour for all units.**
  Cost City wide $520,000. POA gets 1 hour of pay for the 14 hours off duty during workday and 3.3 hrs. (Or 5 on holidays) for 24 shifts. SCEA gets 4 hours for 24 hrs. Prorated .OE3 units get 2 hrs. for every 8 hours and 6 hours for a 24 hour shift

  Stockton rate for Police Officer is on average $3 an hour for the standby during the workweek and $5.82 hr. for days off, $8.75 for holidays. O and M Hourly rate for standby is around $6.57 an hour and Water Sup is $8.61 an hour.

POA regular standby.	No savings anticipated, cost avoidance in the future	
POA day off/weekend standby 51% reduction	$85,000	$72,250 GF
OE3 55% reduction in rate savings	$ 130,000	0 GF
Total Savings	**$215,000**	**$72,250 GF**

- **POA. Eliminate compensation for hire backs and special assignments at OT rate.** Regular rules on overtime would apply.
  Savings. Nothing seems to be charged to this but this may be due to record keeping.

- **All units. Eliminate all payment of overtime that exceeds time and a half.** Currently some MOU's provide for double time and a half for work on weekends and holidays.
  Savings. Not able to estimate due to payroll reporting records

21. **POA and Fire. City Paid Union release time** over labor market
    - **Eliminate City paid union leave time of 400 hours POA, 500 hours Fire per year.**

    Savings Not able to determine. This time is not tracked now.

22. **Non-economic changes**

- **POA. Remove section 15.10 survey agencies.**
- **POA. Change rule of 1 on promotional exams to rule of 10**
- **POA. Clarify seniority when tied.**
- **POA. Clarify workweek language due to alternative schedules**
- **Fire Change rule on promotional probationary period. Current no probation when promoted in dept. Change to add 1 year probation to all promotional classes.**
- **Fire. Clarify status of people on reemployment list who waive reemployment.**
- **O and M clarify jury duty practices**

- **All units. Revise grievance procedure to remove step 4 Board of Adjustment hearing,**
- **All units. In all sections of MOU review and change to hours instead of days where appropriate (to avoid confusion with alternate schedules).**
- **All units. Add previously agreed to side letters not included in last MOU.**

Savings. None known but better management of operations.

23. **All units. Medical Plan changes**

- **Eliminate dual coverage for actives and retirees in all city-sponsored plans.** Currently the City allows employees and retirees married/domestic partners with each other to double cover themselves under the City's medical Plans. Most plans prohibit dual coverage and limit benefits to what the person would have otherwise get without the double coverage.

Savings. Not able to calculate at this time. City savings would be from retiree only since it has capped its contributions for employees. Any savings to employee rates would lower employee cost.

- **Add Kaiser language allowing for retirees to keep Kaiser or OE3 plans if they had them at end of employment but with language clarify city commitment for payment.**

Savings none, but, may save in future plus will avoid any expansion of liability for retirees using these other plans.

- **All units and retirees. Make Plan design changes allowed under Health Care Reform for retirees only. Remove health care reform and mental health parity act changes and return to benefit in effect before City made changes in last two years** Federal law allows agencies to roll back Health Care Reform required changes for retiree only plans. Includes
  - Limits on numbers of Acupuncture visits Unlimited vs. 12 a year
  - Payment of Acupuncture at 80% vs. 60%
  - Limits on numbers of Alcohol and Drug Treatment admission limitations. Unlimited vs. 30 days and 3 lifetime admissions
  - Limitations on Outpatient mental health or Nervous Disorder. Unlimited vs. 15-visit max.
  - Preventative care/wellness. 100% vs. 80% paid
  - Lifetime maximum. Unlimited vs. $2.5 million.
  - Return dependent children coverage from age 26 back to previous limit.

Savings Estimate that this may save 10% of retiree costs for City Health ISF. Would be reflected in lower future cost increases.

- **All units and Retirees only. Add Kaiser Sr. Advantage to choices for retirees. Benefits equal or exceed city plan.**

Savings 10% for each retiree who changes to plan.

24. SCEA, B and C, OE3. Retiree Medical Trust Payments.
Eliminate current payments (2%) for employee hired after 2009 but before retiree medical eliminated.

B and C	$52,870	$ 27,492 GF
SCEA	$61,018	$42,102 GF
Trades	$30,041	0
Total savings	**$144, 144**	**$69,594 GF**

25. Retiree Medical Benefits for current employees.

See Retiree ASK for proposal for current employees.

Resolution No.

STOCKTON CITY COUNCIL

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON APPROVING THE PROPOSED 2012-2013 ANNUAL BUDGET; APPROVING THE 2012-2017 CAPITAL IMPROVEMENT PROGRAM; APPROVING THE 2012-2013 FEE SCHEDULE; AUTHORIZING VARIOUS FUND TRANSFERS AND ADMINISTRATIVE ACTIONS; AND DECLARING AN EMERGENCY PURSUANT TO GOVERNMENT CODE SECTION 3504.5

On May 15, 2012, the City Manager presented the City Council with a Proposed 2012-2013 Annual Budget and 2012-2017 Capital Improvement Program; and

The City Council scheduled and conducted Budget Workshops on June 11 and June 18, 2012, to review projections and alternative plans, to allow for public discussion, and to provide direction in the preparation of the annual budget. These workshops included the Proposed 2012-2013 Annual Budget, 2012-2017 Capital Improvement Program, and proposed 2012-2013 Fee Schedule; and

On June 26, 2012, the City Council conducted a duly noticed public hearing on the Proposed 2012-2013 Annual Budget, the 2012-2017 Capital Improvement Program, and 2012-2013 Proposed Fee Schedule; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The Proposed 2012-2013 Annual Budget, as submitted by the City Manager and revised in the June 26, 2012, Budget Public Hearing staff report, is adopted. Exhibits 1 and 2 describe the Pendency Plan Adjustments in the General Fund and Other Funds.

2. The City Manager is authorized to implement the salary and benefit adjustments as described in the June 26, 2012, Budget Public Hearing staff report to ensure a balanced budget. The amounts in Exhibits 1 and 2 are estimates by program and subject to further refinement. Actual amounts will be based on detailed allocations from the City's payroll projection system, and the City Manager is authorized to make those allocations.

3. The number of full-time positions authorized under the Proposed 2012-2013 Annual Budget is 1,435 as detailed in Exhibit 3.

City Atty Review _____
Date June 20, 2012

4. The 2012-2017 Capital Improvement Program is approved and the specific projects listed for 2012-2013 are appropriated.

5. The Proposed Fee Schedule is approved, effective July 1, 2012, and any fee changes that are not effective July 1, 2012, are noted in the 2012-2013 Fee Schedule.

6. An appropriation limit be established in the amount of $256,480,000 for 2012-2013 pursuant to the requirements of the California Government Code. The City of Stockton selected the "change in California per capita personal income" for the "change in cost of living" component of the calculation of the appropriation limit.

7. The threshold for which contracts must be approved by the City Council is hereby increased by $639 to $31,376 effective July 1, 2012, for Fiscal Year 2012-2013, in accordance with the annual inflation adjustment authorized by Ordinance No. 007-94 C.S., which amended Section 3.68.040 of the Stockton Municipal Code.

8. The unencumbered balance as of June 30, 2012, for the AB506 process in account number 010-0139 shall be reappropriated effective July 1, 2012, and may be used to fund expenses of the AB 506 process and any expenses pertaining to a Chapter 9 filing.

9. The unencumbered balance as of June 30, 2012, in the 501 Fleet ISF Fund originally appropriated for the purchase of Fire equipment shall be reappropriated effective July 1, 2012.

10. The 2011-2012 Annual Budget is amended to allocate indirect costs to the Fire Department General Fund budget of approximately $1,470,000, as computed through the city-wide cost plan. This budget transfer is proposed to load the City's overhead cost onto the Fire Department budget in the same fashion in which overhead is allocated to other non-General Fund programs and fully recover the cost of contracted fire services. This action will not increase the total General Fund appropriation. The following is the proposed budget action:

General Fund #010 - Fire Department	
Increase expenditure budget	$1,470,000
General Fund #010 - Non-Department	
Decrease expenditure budget for allocated overhead	$1,470,000

11. The 2011-2012 Annual Budget is amended to add appropriation for the San Joaquin Area Flood Control Agency (SJAFCA) in the amount of $934,921. These expenses have been approved by the SJAFCA Board and will be reimbursed to the City by the Agency.

12. In Resolution Nos. 11-0113 and 11-0114, the Council declared a state of emergency based on fiscal circumstances and directed the City Manager to take appropriate and lawful measures to achieve a balanced budget including any change to existing labor agreements determined necessary by the City Manager, limited to the

duration of the fiscal emergency. Based upon the information present in the record of this action, the Council finds that the City's financial condition has further deteriorated and the City therefore remains in a state of fiscal emergency. Further the Council reiterates and reaffirms its findings and actions contained in Resolution Nos. 11-0113 and 11-0114.

13. In addition, with respect to Memoranda of Understanding that have expired, to the extent that the meet and confer process under the Meyers-Milias-Brown Act is not yet complete, the Council hereby finds that the need to immediately implement the Pendency Plan constitutes an emergency within the meaning of Government Codes section 3504.5, authorizing the immediate implementation of such Plan while the City completes any remaining aspects of the meet and confer process. This emergency is based upon the findings in this report, and in the staff report and accompanying Resolution No. 2012-06-05-1501 adopted by the Council on June 5, 2012.

14. The following administrative actions required to implement the 2012-2013 Annual Budget are authorized:

a) The City Manager is authorized to abolish positions and/or reduce and reorganize personnel, programs, services, departments, offices, or agencies and take such other action as is necessary to maintain a balanced budget.

b) For the purpose of implementing department restructuring, the City Manager is authorized to make adjustments in classifications, including salary adjustments, to ensure comparability with similar classifications to maintain equity in the City's salary schedules as recommended by the Human Resources Department classification studies and reviews, and to incorporate changes into the Salary Schedule, as appropriate.

c) The City Manager is authorized to make technical corrections to the 2012-2013 Adopted Budget not to exceed $31,376 per correction.

d) The City Manager is authorized to establish appropriations for and expend grant funding received during the year where the grant funds and any matching City funds are under the Council threshold of $31,376 as established above.

e) The City Manager is authorized to establish revenue estimates and corresponding budget appropriations in Trust Special Revenue funds as donations are received during Fiscal Year 2012-2013.

f) The City Manager is authorized to establish revenue estimates and corresponding budget appropriations in General Fund Fire Department as needed during Fiscal Year 2012-2013 to recognize the costs, and the subsequent reimbursement of those costs, for

providing wild-land firefighting and other disaster response services requested by state or federal governments.

g) The City Manager is authorized to fill additional Special Revenue Fund positions, such as grant funded and contract reimbursement positions, if additional funding becomes available.

h) The indirect cost rate, as detailed in the City of Stockton Full Cost Allocation Plan and OMB-87 Plan, shall be charged to all applicable capital project funds, as project funding and regulations permit.

i) The City Manager is authorized to transfer funds from eligible capital project funds to the Public Art Fund (306) to implement the Fiscal Year 2012-2013 Public Art Plan, as approved by Council, including transfers relating to mid-year appropriations to capital projects eligible for public art contributions.

j) The City Manager is authorized to engage services as necessary for the Chapter 9 process that are within the budget appropriation for this purpose without pre-approval by the City Council but subject to quarterly reporting in open or closed sessions, as appropriate and necessary to protect attorney client privilege regarding the City's Chapter 9 strategy and investment level.

k) The City Manager is authorized to approve temporary inter-fund borrowing within the fiscal year, and at the June 30 fiscal year end, to finance the collection period for tax, grant, and other accounts receivable. Any new inter-fund loans extending beyond these terms must be approved by the City Council. The City Manager is authorized to repay inter-fund loans when funding becomes available.

l) The City Manager is authorized to move appropriations and transfer between funds within a single budget unit, such as the Central Parking District and the Federal grant funds, where multiple funds have been established for operating/tracking purposes and the fund relationship has been identified in the Fiscal Year 2012-2013 Annual Budget, or established by subsequent City Council action.

m) Payment in the amount of $46,000 is authorized to the League of California Cities for the City's 2012-2013 membership fee. This funding is included in the proposed General Fund Non-department appropriation.

n) Payment of up to $135,000 is authorized to the Community Partnership for Families for administrative and program costs that support community outreach efforts at City of Stockton community

centers. This funding is included in the proposed General Fund Non-department appropriation.

15. The City Manager is authorized and directed to take such actions as are appropriate to carry out the intent of this resolution.

PASSED, APPROVED, and ADOPTED June 26, 2012.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton

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Exhibit 1

2012-13 Proposed Budget with Pendency Plan and Other Adjustments
General Fund - 010 by Program

	FY 2012-2013	FY 2012-2013 Pendency Plan Adjustments					FY 2012-2013
	Baseline	Service Reductions	Revenue Solutions	Debt Reductions	Other Funding Sources	Salary & Benefit Reductions	Proposed Budget
Revenues							
General Tax Revenues	$ 135,279,867				$ 300,000		$135,579,867
Program Revenues	11,331,189		175,000				11,506,189
Interfund Reimbursements	7,532,129						7,532,129
Transfers In	772,220		64,308				836,528
	154,915,405	-	239,308	-	300,000	-	155,454,713
Expenditures							
				Pension Bond			
Programs					Measure W		
Police	93,023,477	70,445		(3,734,413)	(165,000)	(7,316,005)	81,878,504
Fire	40,529,586			(1,789,268)	(135,000)	(2,593,145)	36,012,173
Public Works	7,369,140	(295,000)		(61,860)	(125,000)	(414,330)	6,472,950
Economic Development	725,760			(8,191)		(39,564)	678,005
Peacekeeper Program	249,615			(11,535)		(67,831)	170,249
Arts Commission	37,687			(825)		(4,035)	32,827
	141,935,265	(224,555)	-	(5,606,092)	(425,000)	(10,434,910)	125,244,708
Program Support for Other Funds							
Library	4,125,000				(23,000)	(45,000)	4,057,000
Recreation	2,800,000	(110,000)					2,690,000
Entertainment Venues	2,152,000			(370,000)	(44,650)		1,737,350
RDA Successor Agency	1,319,248				(250,000)		1,069,248
Downtown Marina	732,000			(684,701)			47,299
Capital Improvement	1,575,000	(1,000,000)					575,000
Administration Building	2,588,442			(2,588,442)			-
Golf Courses	322,000						322,000
Grant Match	500,000				(50,000)		450,000
Development Services	1,000,000						1,000,000
	17,113,690	(1,110,000)	-	(3,643,143)	(367,650)	(45,000)	11,947,897
Administration							
City Council	495,641			(7,818)		(28,711)	459,112
City Manager	1,087,031			(17,625)		(74,265)	995,141
City Attorney	1,004,351			(19,945)		(63,967)	920,439
City Clerk	789,120			(14,832)		(69,224)	705,064
City Auditor	508,827			(7,826)		(29,268)	471,733
Administrative Services	3,822,076			(61,250)		(297,940)	3,462,886
Human Resources	2,185,971			(28,906)	(150,000)	(122,250)	1,884,815
Tax Collection & Election	2,745,250						2,745,250
Other Administration	(842,177)			(510,785)		(47,172)	(1,400,134)
Labor Litigation	2,312,500	3,500,000		(312,500)			5,500,000
AB506 Funds	-				(500,000)		(500,000)
	14,108,590	3,500,000	-	(981,487)	(650,000)	(732,797)	15,244,306
Debt Service	2,737,133			(1,758,573)			978,560
Contingency	2,000,000						2,000,000
Baseline Subtotal	**177,894,678**	**2,165,445**	-	**(11,989,295)**	**(1,442,650)**	**(11,212,707)**	**155,415,471**
Fiscal Stabilization Measures	2,929,016	(2,929,016)					-
Subtotal	**180,823,694**	**(763,571)**	-	**(11,989,295)**	**(1,442,650)**	**(11,212,707)**	**155,415,471**
Total	$ (25,908,289)	$ 763,571	$ 239,308	$ 11,989,295	$ 1,742,650	$ 11,212,707	$ 39,242

Exhibit 2

2012-13 Proposed Budget with Pendency Plan and Other Adjustments
Other Funds

	FY 2012-2013 Baseline 5/15/2012	FY 2012-2013 Pendency Plan Adjustments: Service Reductions	Revenue Solutions	Debt Reductions	Other Funding Sources	Salary & Benefit Reductions	FY 2012-2013 Proposed Budget
Other Funds							
Measure W (page E - 10)							
Revenues	$ 8,310,000		$ 40,000				$ 8,350,000
Police Expenses	(3,989,511)				(165,000)		(4,154,511)
Fire Expenses	(4,017,497)				(135,000)		(4,152,497)
	302,992	-	40,000	-	(300,000)	-	42,992
Library Fund (page H - 11)							
Revenues	5,470,819		23,000				5,493,819
Expenses	(9,825,716)					45,000	(9,780,716)
Transfer	4,132,750		(23,000)			(45,000)	4,064,750
	(222,147)	-	-	-	-	-	(222,147)
Recreation Fund (page H - 21)							
Revenues	1,940,450						1,940,450
Expenses	(4,780,958)	110,000					(4,670,958)
Transfer	3,213,721	(110,000)					3,103,721
	373,213	-	-	-	-	-	373,213
City Administration Building (page J - 27)							
Revenues	1,628,254						1,628,254
Expenses	(1,528,600)						(1,528,600)
Debt Service	(2,672,344)			2,672,344			-
Transfer	2,588,442			(2,588,442)			-
	15,752	-	-	83,902	-	-	99,654
Central Parking (page J - 29)							
Revenues	3,903,310						3,903,310
Expenses	(1,963,298)						(1,963,298)
Debt Service	(1,122,220)			(64,308)			(1,186,528)
	817,792	-	-	(64,308)	-	-	753,484
Downtown Marina (page J - 31)							
Revenues	243,960						243,960
Expenses	(389,680)						(389,680)
Debt Service	(684,701)			684,701			-
Transfer	732,000			(684,701)			47,299
	(98,421)	-	-	-	-	-	(98,421)
Entertainment Venues (page L - 28)							
Revenues	4,770,399						4,770,399
Expenses	(6,921,753)	44,650		(13,962)			(6,891,065)
Transfer	2,165,962	(44,650)					2,121,312
	14,608	-	-	(13,962)	-	-	646
General Capital Fund (page N - 16)							
Revenues	27,400						27,400
Expenses	(1,575,000)	1,000,000					(575,000)
Debt Service	(248,781)						(248,781)
Transfer	1,575,000	(1,000,000)					575,000
	(221,381)	-	-	-	-	-	(221,381)
Fire Station PFF (page N - 19)							
Revenues	88,260						88,260
Expenses	-						-
Debt Service	(419,646)			332,045			(87,601)
Transfer	332,045			(332,045)			-
	659	-	-	-	-	-	659
Police Station PFF (page N - 20)							
Revenues	73,585						73,585
Expenses	-						-
Debt Service	(436,800)			363,215			(73,585)
Transfer	363,804			(363,804)			-
	589	-	-	(589)	-	-	-

Exhibit 2

2012-13 Proposed Budget with Pendency Plan and Other Adjustments
Other Funds

	FY 2012-2013 Baseline 5/15/2012	FY 2012-2013 Pendency Plan Adjustments: Service Reductions	Revenue Solutions	Debt Reductions	Other Funding Sources	Salary & Benefit Reductions	FY 2012-2013 Proposed Budget
Workers Comp ISF (page O - 19)							
Revenues	9,297,797					(150,000)	9,147,797
Expenses	(9,273,918)					150,000	(9,123,918)
	23,879	-	-	-	-	-	23,879
Health Insurance ISF (page O - 23)							
Revenues	40,803,233					(7,053,107)	33,750,126
Expenses	(37,939,843)					7,053,107	(30,886,736)
	2,863,390	-	-	-	-	-	2,863,390
LTD and Life Ins ISF (page O - 27)							
Revenues	1,295,435					(402,000)	893,435
Expenses	(1,295,435)					402,000	(893,435)
	-	-	-	-	-	-	-
Compensated Absence ISF (page O - 30)							
Revenues	4,500,000					(1,295,000)	3,205,000
Expenses	(4,500,000)					1,295,000	(3,205,000)
	-	-	-	-	-	-	-
Total	$ 3,870,925	$ -	$ 40,000	$ 5,043	$ (300,000)	$ -	$ 3,615,968

PERSONNEL BY FUND

2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
General Fund and Tax-Supported Programs						
Programs						
Police-Sworn	401	322	320	322	18	340
Police-Non Sworn	235	214	202	188	1	189
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**	**834**	**16**	**850**
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**	**956**	**17**	**973**
% Change vs. 2008-09			-25%	-30%		-28%
Enterprise Funds						
Golf Course	3	2	2	2	(2)	0
Municipal Utilities	168	187	197	198	11	209
	171	**189**	**199**	**200**	**9**	**209**
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**	**1,414**	**21**	**1,435**
% Change vs. 2008-09			-21%	-25%		-24%

PERSONNEL BY FUND - POLICE DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
GENERAL FUND						
010-2410 Police Administration						
Accounting Office Assistant I/II	2	0	0	0	0	0
Admin Analyst I/II/Sr/Prog Mgr I/II	2	2	3	2	(1)	1
Audio Visual Specialist	1	0	0	0	0	0
Code Enforcement Officer	2	2	2	0	0	0
Executive Assistant	1	1	1	1	0	1
Finance Assistant I/II	0	2	2	2	0	2
Mail Courier	0	1	0	0	0	0
Office Asst I/II/ Office Specialist/ Secretary	4	4	4	4	0	4
Program Manager III	2	2	1	1	1	2
Sr Accounting Office Assistant	1	0	0	0	0	0
Sr Finance Assistant	0	1	1	1	0	1
Sworn: Chief of Police	1	1	1	1	0	1
Sworn: Deputy Chief of Police I	0	0	1	1	1	2
Sworn: Deputy Chief of Police II	1	0	0	0	0	0
Sworn: Police Captain	0	0	0	0	1	1
Sworn: Police Lieutenant	2	2	2	2	0	2
Sworn: Police Officer/Trainee	5	5	4	6	(1)	5
Sworn: Police Sergeant	4	4	4	4	0	4
	28	**27**	**26**	**25**	**1**	**26**
010-2466-67 Animal Control						
Animal Services Assistant I/II	8	8	8	8	0	8
Animal Services Officer	7	6	6	4	0	4
Animal Services Supervisor	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	1	1	1	1	0	1
Sr Animal Services Officer	1	1	1	1	0	1
	18	**17**	**17**	**15**	**0**	**15**
010-2420 Police Field Services						
Administrative Analyst I/II/Sr/Principal	2	2	2	3	0	3
Code Enforcement Field Manager	2	1	1	1	0	1
Code Enforcement Officer I/II	14	12	11	13	0	13
Code Enforcement Supervisor	1	0	0	0	0	0
Community Service Officer I/II	33	25	29	23	(3)	20
Graffiti Abatement Technician	0	4	4	4	0	4
Maintenance Worker III	6	0	0	0	0	0
Office Asst I/II/ Office Specialist/ Secretary	12	10	9	6	1	7
Police Court Coordinator	1	1	1	1	0	1
Police Records Assistant I/II	1	1	1	1	(1)	0
Program Manager III	1	1	1	1	0	1
Sr Code Enforcement Officer	3	2	2	2	0	2
Sr Community Service Officer	6	4	2	2	0	2
Supervising Office Assistant	2	1	0	0	0	0
Sworn: Deputy Chief of Police I	2	2	0	0	0	0
Sworn: Police Captain	2	2	3	2	(1)	1
Sworn: Police Lieutenant	12	13	9	11	0	11
Sworn: Police Officer/Trainee	250	166	168	170	32	202
Sworn: Police Sergeant	36	40	30	28	0	28
	386	**287**	**273**	**268**	**28**	**296**

PERSONNEL BY FUND - POLICE DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
010-2430 Investigations						
Crime Analyst	5	5	4	0	0	0
Community Service Officer I/II	0	0	0	2	0	2
Evidence Technician	14	14	14	14	0	14
Office Asst I/II/ Office Specialist/ Secretary	3	2	0	1	0	1
Police Records Assistant I/II	5	5	5	3	0	3
Sr Evidence Technician	5	5	4	4	0	4
Supervising Evidence Technician	1	1	1	1	0	1
Sworn: Deputy Chief of Police I	1	1	0	0	0	0
Sworn: Police Captain	1	1	1	1	0	1
Sworn: Police Lieutenant	2	2	2	2	0	2
Sworn: Police Officer/Trainee	65	61	56	61	(11)	50
Sworn: Police Sergeant	13	11	10	9	0	9
	115	**108**	**97**	**98**	**(11)**	**87**
010-2460 Support Services						
Office Asst I/II/ Office Specialist/ Secretary	1	1	1	1	0	1
Police Records Assistant I/II/III/Sr	29	27	25	25	0	25
Property Clerk	3	2	2	2	0	2
Property Room Supervisor	1	1	1	1	0	1
Supervising Police Records Assistant	2	2	2	2	0	2
Sworn: Police Captain	1	1	1	1	0	1
	37	**34**	**32**	**32**	**0**	**32**
010-2470 Telecommunications						
Crime Analyst	0	0	0	1	0	1
Police Records Asst I/II/III	0	0	0	1	0	1
Program Manager II	0	0	0	0	1	1
Sworn: Police Sergeant	0	0	0	1	0	1
Police Telecommunicator I/II	39	39	39	37	(1)	36
Police Telecommunications Supervisor	6	6	6	6	0	6
Sr Telecommunications Supervisor	1	1	1	1	0	1
	46	**46**	**46**	**47**	**0**	**47**
Police Grant-Funded						
020-6078 Crac-net: Police Sergeant	1	1	1	1	(1)	0
020-6173 Transit District: Police Officer	2	2	2	1	(1)	0
020-6278 Special Grant Police Officer	0	0	0	0	1	1
024-6426 Ca COPS Grant: CSO	3	7	3	3	3	6
025-6429 Ca JAG: Police Officer	0	6	0	0	0	0
025-6429 Ca JAG: Police Sergeant	0	1	0	0	0	0
025-6430 CHRP: Police Officer	0	0	20	20	(20)	0
025-6434 JAG 2010-11: Police Officer	0	0	5	0	0	0
025-6456 VAWA Grant: Police Officer	0	0	0	0	1	1
025-6465 CHP 2012-13: Police Officer	0	0	0	0	17	17
025-6468 Firearms Examiner	0	0	0	0	1	1
	6	**17**	**31**	**25**	**1**	**26**
Total General Fund	**636**	**536**	**522**	**510**	**19**	**529**
% Change vs. 2008-09			-18%	-20%		-17%
SPECIAL REVENUE FUNDS						
081-2436 Police Safe Neighborhood Measure W						
Sworn: Police Lieutenant	2	0	0	0	0	0
Sworn: Police Officer/Trainee	36	22	21	21	0	21
Sworn: Police Sergeant	2	0	0	0	0	0
Total	**40**	**22**	**21**	**21**	**0**	**21**
Total Special Revenue Funds	**40**	**22**	**21**	**21**	**0**	**21**
Total Police	**676**	**558**	**543**	**531**	**19**	**550**
% Change vs. 2008-09			-20%	-21%		-19%

PERSONNEL BY FUND - FIRE DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
GENERAL FUND						
010-2610 Fire-Administration						
Administrative Assistant/Sr	1	1	0	0	0	0
Deputy Fire Chief I/II	2	3	2	2	0	2
Quality Improvement Coordinator	1	1	0	0	0	0
Executive Assistant	1	1	1	1	0	1
Fire Battalion Chief	3	0	0	0	0	0
Fire Captain	3	3	2	3	-1	2
Fire Chief	1	1	1	1	0	1
Office Asst. I/II/ Office Specialist/ Secretary	2	1	1	1	1	2
Program Manager I/II	0	0	0	0	2	2
Program Manager III	1	1	1	1	-1	0
Supervising Office Assistant	1	0	1	1	0	1
	16	**12**	**9**	**10**	**1**	**11**
010-2620 Fire-Fire Suppression/Rescue						
Fire Battalion Chief	6	6	6	6	0	6
Fire Captain	55	57	54	46	0	46
Fire Fighter	113	114	92	51	-3	48
Fire Fighter Engineer	60	60	49	48	1	49
	234	**237**	**201**	**151**	**-2**	**149**
010-2650 Fire-Training						
Deputy Fire Chief	1	0	0	0	0	0
Fire Battalion Chief	0	1	1	1	0	1
Fire Captain	1	1	1	1	0	1
Supervising Office Assistant	1	1	0	0	0	0
	3	**3**	**2**	**2**	**0**	**2**
010-2660 Fire-Dispatch						
Fire Captain	0	1	0	0		0
Fire Telecommunicator I/II	0	9	10	10	0	10
Fire Telecommunications Supervisor	0	3	3	3	0	3
Sr Telecommunications Supervisor	0	0	1	1	0	1
	0	**13**	**14**	**14**	**0**	**14**
Total General Fund	**253**	**265**	**226**	**177**	**-1**	**176**
% Change vs. 2008-09			-11%	-30%		-30%

PERSONNEL BY FUND - FIRE DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
SPECIAL REVENUE FUNDS						
048-2631/2633 DEVELOPMENT SERVICES-FIRE PREVENTION						
Code Enforcement Officer I/II	1	0	0	0	0	0
Deputy Fire Chief	1	0	0	0	0	0
Fire Battalion Chief	0	1	1	1	0	1
Fire Captain	3	1	1	1	0	1
Fire Fighter	1	0	0	0	0	0
Fire Prevention Inspector I/II	0	1	1	1	0	1
Fire Protection Specialist	0	1	1	1	0	1
Office Asst. I/II/ Office Specialist/ Secretary	3	3	2	2	0	2
Office Technician	0	0	1	1	-1	0
Plan Checker I/II	0	1	1	1	0	1
Project Manager I/II/III	1	0	0	0	0	0
	10	**8**	**8**	**8**	**-1**	**7**
042-2660 EMERGENCY COMMUNICATIONS						
Fire Captain	1	0	0	0	0	0
Fire Telecommunicator I/II	12	0	0	0	0	0
Fire Telecommunications Specialist	1	0	0	0	0	0
Fire Telecommunications Supervisor	3	0	0	0	0	0
	17	**0**	**0**	**0**	**0**	**0**
081-2636 FIRE SAFE NEIGHBORHOOD MEASURE W						
Fire Captain	7	5	5	5	1	6
Fire Fighter	16	13	10	10	1	11
Fire Fighter Engineer	5	5	5	5	0	5
	28	**23**	**20**	**20**	**2**	**22**
Total Special Revenue Funds	**55**	**31**	**28**	**28**	**1**	**29**
Total Fire Department	**308**	**296**	**254**	**205**	**0**	**205**
% Change vs. 2008-09			-18%	-33%		-33%

PERSONNEL BY FUND - PUBLIC WORKS DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
GENERAL FUND						
010-3010 Public Works-Administration						
Administrative Analyst I/II/Sr/Principal	1	1	1	1	1	2
Executive Assistant	1	1	1	1	0	1
Office Assist I/II/ Office Spec/ Secretary	3	3	1	1	0	1
Program Manager III	1	1	1	1	0	1
Project Manager I/II	0	1	1	1	(1)	0
Public Works Director	1	1	1	1	0	1
Records Specialist	1	1	1	1	0	1
Supervising Office Assistant	3	1	1	1	0	1
	11	**10**	**8**	**8**	**0**	**8**
010-3060 Public Works-Operations & Maintenance						
Administrative Aide I/II	1	1	1	1	0	1
Civil Engineer Assoc./Sr.	0	1	1	2	(1)	1
Deputy Public Works Dir/Ops & Maint	1	1	1	1	0	1
Eng Aide/Traffic Eng Aide/ Eng Tech I/II/Sr	4	3	3	3	(2)	1
Maintenance Repair Technician I/II	29	0	0	0	0	0
Office Assist I/II/ Office Spec/ Secretary	3	2	2	2	0	2
Program Manager III	1	1	0	0	0	0
Project Manager I/II/III	3	3	0	1	0	1
Public Works Equipment Training Officer	1	1	0	0	0	0
Public Works Heavy Equipment Operator	3	0	0	0	0	0
Public Works Supervisor	4	0	0	1	(1)	0
Sr Civil Engineer	1	0	0	0	1	1
Sr Facilities Maintenance Supervisor	0	0	1	0	0	0
Sr Maintenance Repair Technician	6	0	0	0	0	0
Sr Public Works Supervisor	1	0	0	0	1	1
Sr Public Works Supv Electrical-Traffic	1	1	1	1	(1)	0
Sr Traffic Signal Electrician	1	0	0	0	0	0
Traffic Signal Electrician/Trainee	7	0	0	0	0	0
	67	**14**	**10**	**12**	**(3)**	**9**
010-3070 Public Works-Parks & Street Trees						
Arborist	1	1	1	0	0	0
Office Assist I/II/ Office Spec/ Secretary	1	1	1	1	0	1
Park Equipment Operator	4	0	0	0	0	0
Parks Superintendent	1	1	1	1	0	1
Parks Supervisor	2	2	0	1	(1)	0
Parks Worker I/II/Aide	28	14	3	4	(4)	0
Project Manager I/II/III	0	0	0	1	0	1
Public Works Maintenance Worker I/II/Sr	0	0	0	0	4	4
Public Works Supervisor	0	0	0	1	(1)	0
Sr Facilitied Mainteance Supervisor	0	0	0	0	1	1
Sr Parks Supervisor	2	1	1	0	1	1
Sr Parks Worker I/II	4	3	2	2	0	2
Sr Tree Surgeon	5	1	0	1	0	1
Tree Surgeon	3	4	2	4	(2)	2
Tree Worker	6	0	2	0	2	2
	57	**28**	**13**	**16**	**0**	**16**

PERSONNEL BY FUND - PUBLIC WORKS DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
010-3090 Public Works-Facilities Maintenance						
Craft Maintenance Worker I/II	7	7	7	6	0	6
Electrician I/II	2	2	2	2	0	2
Facilities Maint Worker I/II/ Facility Aide	7	5	5	5	(2)	3
Fleet & Facilities Manager	1	1	0	0	0	0
Heating, Ventilation and Air Mechanic	3	2	2	2	0	2
Office Assist I/II/ Office Spec/ Secretary	1	1	0	0	0	0
Program Manager III	0	0	1	1	0	1
Project Manager I/II/III	0	0	3	2	(1)	1
Public Works Safety Training Officer	0	0	1	1	0	1
Sr Electrician	1	1	1	1		1
Public Works/Sr Facilities Maint Supervisor	2	2	1	1		1
	24	21	23	21	(3)	18
020-0137 San Joaquin Area Flood Control Agency						
Administrative Analyst I/II/Sr/Principal	1	1	0	0	0	0
Deputy Public Works Director/City Engineer	0	0	0	0	1	1
Engineering Services Manager	1	1	1	1	(1)	0
Jr/Asst/Assoc Engineer/Traffic Engineer	2	2	1	1	0	1
Office Assist I/II/ Office Spec/ Secretary	0	1	1	1	0	1
Project Manager I/II/III	0	0	1	1	0	1
Sr Civil Engineer	0	0	1	1	0	1
	4	5	5	5	0	5
Total General Fund	163	78	59	62	(6)	56
% Change vs. 2008-09			-64%	-62%		-66%
SPECIAL REVENUE FUNDS						
030-3020 STREET MAINTENANCE - Engineering						
Assistant City Traffic Engineer	1	1	1	1	0	1
City Traffic Engineer	1	1	1	1	0	1
Deputy Public Works Director/Engineering	1	0	1	1	0	1
Engineering Aide/Eng Technician I/II/Sr	2	1	1	1	1	2
Engineering Services Manager	2	2	2	2	0	2
Jr/Asst/Assoc Engineer/Traffic Engineer	12	11	12	11	0	11
Office Assist. I/II/ Office Spec/Secretary	2	0	0	0	0	0
Parks Facility Planner					1	1
Project Manager I/II/III (CIP-funded)	1	2	2	2	1	3
Public Works Inspector					2	2
Supv Public Works Inspector					1	1
Sr Civil Engineer	2	2	1	1	0	1
	24	20	21	20	6	26
030-3060 STREET MAINTENANCE - Operations and Maintenance						
Enginnering Aide/Technician I/II/Sr	0	0	0	0	2	2
Maintenance Repair Technician I/II	0	27	25	24	(3)	21
Public Works Heavy Equipment Operator	0	3	3	3	0	3
Public Works Maint Worker	0	0	0	0	1	1
Parks Supervisor	0	0	0	0	1	1
Public Works Supervisor	0	3	3	3	0	3
Sr Maintenance Repair Technician	0	4	6	6	0	6
Sr Traffic Signal Electrician	0	1	1	1	0	1
Traffic Signal Electrician/Trainee	0	7	7	7	0	7
	0	45	45	44	1	45
Total Gas Tax Fund	24	65	66	64	7	71

PERSONNEL BY FUND - PUBLIC WORKS DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
072-6900 MAINTENANCE ASSESSMENT DISTRICT						
Assessment District Maint Coordinator	0	1	1	1	0	1
Parks Supervisor	0	0	2	0	0	0
Parks Worker I/II/Aide	0	0	0	0	0	0
Project Manager I/II/III	1	1	1	1	0	1
	1	2	4	2	0	2
047-3080 SOLID WASTE & RECYCLING						
Office Assist I/II/ Office Spec/ Secretary	1	1	1	1	0	1
Program Manager I/II	1	1	1	1	(1)	0
Project Manager I/II/III	2	3	3	3	1	4
Solid Waste and Recycling Field Specialist	0	1	1	1	0	1
Solid Waste Manager	1	1	1	1	0	1
Sr Maintenance Repair Technician	1	2	2	2	0	2
	6	9	9	9	0	9
Total Special Revenue Funds	31	76	79	75	7	82
INTERNAL SERVICE FUNDS						
FLEET						
501-5021 Fleet-Administration						
Fleet Manager	1	1	1	1	0	1
Fleet Operations Coordinator	1	0	0	0	0	0
Office Assist I/II/ Office Spec/ Secretary	2	1	2	2	0	2
Project Manager I/II	0	1	1	1	0	1
Supervising Mechanic	0	0	0	0	1	1
	4	3	4	4	1	5
501-5023 Fleet-Equipment Maintenance						
Auto Painter/Repair Worker	1	1	1	1	0	1
Facilities Maint Worker I/II/ Facility Aide	2	2	2	2	0	2
Facilities Maint Worker III	1	1	1	1	0	1
Mechanic I/II/III	20	17	17	17	0	17
Supervising Mechanic	2	1	1	1	(1)	0
Welder/Fabricator Specialist	1	1	1	1	0	1
	27	23	23	23	(1)	22
Total Internal Service Funds	31	26	27	27	0	27
Total Public Works	225	180	165	164	1	165
% Change vs. 2008-09			-27%	-27%		-27%

PERSONNEL BY FUND - COMMUNITY SERVICES DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
GENERAL FUND						
010-3610/3643 Arts Commission						
Arts Commission Director	1	1	0	0	0	0
Total General Fund	**1**	**1**	**0**	**0**		**0**
SPECIAL REVENUE FUNDS						
Library						
041-3510 Administration						
Administrative Analyst I/II/Sr/Principal	1	1	1	1	0	1
Deputy Dir. of Comm. Svcs/City Librarian	1	1	1	1	0	1
Director of Library Services	1	0	0	0	0	0
Executive Assistant	1	1	0	0	0	0
Library Aide I/II	3	0	0	0	0	0
Library Driver/Clerk	2	1	1	1	0	1
Office Asst I/II/ Office Spec./ Secretary	7	4	2	2	1	3
Program Manager III	2	0	0	0	0	0
Sr Accounting Office Assistant	2	0	0	0	0	0
Sr Library Aide	1	0	0	0	0	0
	21	**8**	**5**	**5**	**1**	**6**
041-3530 Technical/Reader Services						
Librarian Trainee/I/II	3	1	2	2	1	3
Library Aide I/II	1	0	0	0	0	0
Library Assistant I/II	2	1	1	1	1	2
Library Division Manager	1	1	0	0	0	0
Office Asst I/II/ Office Spec./ Secretary	2	1	1	1	0	1
Sr Library Assistant	1	0	0	0	0	0
Supervising Librarian	1	1	1	1	0	1
	11	**5**	**5**	**5**	**2**	**7**
041-3550 City Branches						
Bookmobile Driver/Circulation Assistant	1	1	1	1	0	1
Circulation Assistant I/II	18	15	6	6	0	6
Librarian Trainee /I/II	20	16	7	7	0	7
Library Aide I/II	8	6	3	3	-1	2
Library Assistant I/II	16	13	7	7	-1	6
Library Division Manager	3	1	0	0	0	0
Office Asst I/II/ Office Spec./ Secretary	1	0	0	0	0	0
Supervising Librarian	6	4	1	1	0	1
	73	**56**	**25**	**25**	**(2)**	**23**
041-3540 County Branches						
Circulation Assistant I/II	0	0	6	6	0	6
Librarian Trainee/I/II	0	0	8	8	0	8
Library Aide I/II	0	0	1	1	0	1
Library Assistant I/II	0	0	6	6	0	6
Supervising Librarian	0	0	1	1	0	1
	0	**0**	**22**	**22**	**0**	**22**
Total Library Fund	**105**	**69**	**57**	**57**	**1**	**58**
% Change vs. 2008-09			-46%	-46%		-45%

PERSONNEL BY FUND - COMMUNITY SERVICES DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
Recreation						
044-3610 Recreation-Administration						
Administrative Aide I/II	1	1	0	0	0	0
Administrative Analyst I/II/Sr/Principal	1	0	0	0	0	0
Administrative Assistant/Sr	1	1	0	0	0	0
Community-Cultural Svcs Superintendent	1	1	0	0	0	0
Deputy Director of Community Services	1	0	1	1	0	1
Director of Community Services	0	1	1	1	0	1
Executive Assistant	1	0	1	1	0	1
Office Assistant I/II/ Office Specialist	3	2	3	5	-1	4
Parks and Recreation Director	1	0	0	0	0	0
Program Manager I/II	0	1	1	1	0	1
Recreation Program Coordinator	1	0	0	0	0	0
Recreation Superintendent	1	1	0	0	0	0
Supervising Office Assistant	1	1	0	0	0	0
	13	**9**	**7**	**9**	**(1)**	**8**
044-3623-46 Recreation Services						
Administrative Aide I/II	1	0	0	0	0	0
Administrative Analyst I/II/Sr/Principal	1	0	0	0	0	0
Craft Maintenance Worker I/II	1	0	0	0	0	0
Office Assistant I/II/ Office Specialist	2	2	2	0	0	0
Recreation Assistant I/II/Sr	14	12	12	12	-1	11
Recreation Program Coordinator	7	4	2	2	0	2
Recreation Supervisor	5	3	3	3	1	4
Sports Commission Director	1	1	1	0	0	0
	32	**22**	**20**	**17**	**0**	**17**
Total Recreation Fund	**45**	**31**	**27**	**26**	**(1)**	**25**
% Change vs. 2008-09			-40%	-42%		-44%
PUBLIC ART FUND						
Public Art Manager	1	0	0	0	0	0
	1	**0**	**0**	**0**		**0**
Total Special Revenue Funds	**151**	**100**	**84**	**83**	**0**	**83**
ENTERPRISE FUNDS						
481-3650 GOLF COURSES						
Golf Manager	1	1	1	1	-1	0
Golf Professional	2	1	1	1	-1	0
	3	**2**	**2**	**2**	**(2)**	**0**
Total Community Services	**155**	**103**	**86**	**85**	**(2)**	**83**
% Change vs. 2008-09			-45%	-45%		-46%

PERSONNEL BY FUND - COMMUNITY DEVELOPMENT DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
DEVELOPMENT SERVICES FUND						
048-1810 Development Services-Administration						
Administrative Analyst I/II/Sr/Principal	1	1	1	1	(1)	0
Community Development Director	1	1	1	1	0	1
Executive Assistant	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	2	6	5	1	0	1
Planning Technician I/II	0	1	1	1	0	1
Program Manager II					1	1
Program Manager III	1	1	1	1	0	1
Revenue Assistant I/II	0	1	1	1	0	1
Sr Plan Technician	0	1	1	0	0	0
	6	**13**	**12**	**7**	**0**	**7**
048-1820 Development Services-Planning/ETP						
Assistant/Associate Planner	6	3	3	0	0	0
Assistant Landscape Architect (CIP funded)	1	0	0	0	0	0
Deputy Dir - Engineering & Transportation	0	1	1	1	0	1
Deputy Director - Planning	1	0	0	0	0	0
Eng Aide/Engineering Technician I/II/Sr	3	2	2	2	(1)	1
Engineering Services Manager	1	0	0	0	0	0
GIS Analyst I/II	1	0	0	0	0	0
Junior/Assistant/Associate Civil Engineer	10	1	2	2	0	2
Office Asst I/II/ Office Specialist/ Secretary	4	0	0	0	0	0
Park Facility Planner	1	1	1	1	(1)	0
Planning Manager	4	3	3	3	0	3
Planning Technician I/II	1	0	0	0	0	0
Program Manager I/II	1	0	0	0	0	0
Project Manager I/II/III	1	0	0	0	0	0
Public Works Inspector	5	2	2	2	(2)	0
Public Works Inspector	1	0	0	0	0	0
Sr Civil Engineer	1	1	0	0	0	0
Sr Plan Technician	1	0	0	0	0	0
Sr Planner	3	2	2	2	0	2
Supervising Office Assistant	1	0	0	0	0	0
Supervising Public Works Inspector	1	1	1	1	(1)	0
	48	**17**	**17**	**14**	**(5)**	**9**
048-1830 Development Services-Building						
Building Permit Technician	3	2	2	2	0	2
Combination Inspector I/II	11	5	5	5	1	6
Deputy Building Official	1	0	0	0	0	0
Deputy Director - Building	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	3	0	0	0	0	0
Plan Check Engineer	3	1	1	1	0	1
Plan Checker I/II/Sr	6	3	2	2	0	2
Revenue Assistant I/II	1	0	0	0	0	0
Supervising Combination Inspector	3	3	2	2	(1)	1
Supervising Office Assistant	1	0	0	0	0	0
Supervising Plan Checker/Structural Engineer	1	0	0	0	0	0
	34	**15**	**13**	**13**	**0**	**13**
Total Community Development	**88**	**45**	**42**	**34**	**(5)**	**29**
% Change vs. 2008-09			-52%	-61%		-67%

PERSONNEL BY FUND - ECONOMIC DEVELOPMENT DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
GENERAL FUND						
010-1700 Economic Development						
Administrative Analyst I/II/Sr/Principal	1	0	0	0	0	0
Deputy Economic Development Director	1	1	1	1	(1)	0
Director of Economic Development	1	0	0	0	1	1
Economic Development Analyst I/II/Sr/Princ	1	0	0	0	2	2
Executive Assistant	1	0	0	0	0	0
Office Asst I/II/ Office Specialist/ Secretary	0	0	0	0	1	1
Program Manager I/II	0	0	1	1	0	1
Supervising Real Property Agent	0	0	0	0	1	1
Total General Fund	**5**	**1**	**2**	**2**	**4**	**6**
% Change vs. 2008-09			-60%	-60%		20%
SPECIAL REVENUE FUND						
052-8120 Housing - Community Development Block Grant						
Administrative Analyst I/II/Sr	2	2	2	1	0	1
Assistant/Associate Planner	0	0	1	0	0	0
Deputy Housing Director	1	1	1	1	(1)	0
Executive Assistant	1	1	1	1	0	1
Housing Director	1	0	0	0	0	0
Housing Financial Advisor I/II/Sr	2	2	2	2	0	2
Housing Rehabilitation Counselor I/II/Sr	1	1	1	2	(2)	0
Office Asst I/II/ Office Specialist/ Secretary	2	2	2	0	1	1
Program Manager I/II	1	1	0	1	(1)	0
Program Manager III	2	2	1	1	0	1
Project Manager I/II/III	0	0	0	0	1	1
	13	**12**	**11**	**9**	**(2)**	**7**
% Change vs. 2008-09			-15%	-31%		-46%
CAPITAL PROJECTS FUND						
330-7310 Redevelopment Agency (RDA)						
Administrative Analyst I/II/Sr/Principal	3	2	2	1	(1)	0
Assistant/Associate Planner	2	2	0	0	0	0
Deputy Redevelopment Director	1	1	0	0	0	0
Director of Economic Development	0	1	1	1	(1)	0
Office Asst I/II/ Office Specialist/ Secretary	3	2	2	1	(1)	0
Program Manager I/II	1	1	1	0	1	1
Program Manager III	6	5	1	1	(1)	0
Project Manager I/II/III	1	1	1	0	0	0
Public Works Inspector	1	1	0	0	0	0
Real Property Agent I/II/Sr	3	3	1	1	0	1
Redevelopment Director	1	0	0	0	0	0
Sr GIS Specialist	1	0	0	0	0	0
Supervising Real Property Agent	1	1	1	1	(1)	0
	24	**20**	**10**	**6**	**(4)**	**2**
% Change vs. 2008-09			-58%	-75%		-92%
ENTERPRISE FUND						
416-4020 Central Parking District						
Office Asst I/II/ Office Specialist/ Secretary	1	1	1	1	0	1
Parking District Supervisor	1	1	1	1	0	1
Supervising Parking Attendant	1	1	1	1	0	1
	3	**3**	**3**	**3**	**0**	**3**
Total Special Revenue Funds	**40**	**35**	**24**	**18**	**(6)**	**12**
Total Economic Development Department	**45**	**36**	**26**	**20**	**(2)**	**18**
% Change vs. 2008-09			-42%	-56%		-60%

PERSONNEL BY FUND - MUNICIPAL UTILITIES DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
WATER FUND						
421-4210 Water Administration						
Deputy Director Water & Collection Systems	1	0	0	0	0	0
Civil Engineer Jr./Asst./Assoc.	1	1	1	1	0	1
Deputy Director Water Resource Planning	1	1	0	1	0	1
Sr. Civil Engineer	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	2	2	2	2	(1)	1
Program Manager I/II	1	2	1	0	0	0
Program Manager III	1	0	1	1	0	1
Project Manager I/II	0	0	0	0	1	1
Public Works Inspector	1	1	1	1	(1)	0
	9	**8**	**7**	**7**	**(1)**	**6**
421-4223 Hydrant Maintenance						
Hydrant Worker/Sr	2	2	2	2	0	2
	2	**2**	**2**	**2**	**0**	**2**
421-4231 Water Distribution						
Electrical Technician I/II	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	1	1	1	1	1	2
Sr Plant Maintenance Supervisor	0	0	1	1	(1)	0
Water Field Technician	5	5	5	5	0	5
Water Operations Supervisor	1	1	1	1	0	1
Water Systems Operator I/II/Sr	22	22	22	22	0	22
Water/Sewer Equipment Operator	0	0	1	1	0	1
	30	**30**	**32**	**32**	**0**	**32**
421-4234 Water Operations & Maintenance (DWSP)						
Chief Plant Operator	0	0	0	0	1	1
Electrical Technician I/II	0	0	0	0	1	1
Sr Plant Maintenance Mechanic	0	0	0	0	1	1
Plant Operator I/II/Sr	0	0	0	0	7	7
	0	**0**	**0**	**0**	**10**	**10**
Total Water	**41**	**40**	**41**	**41**	**9**	**50**
% Change vs. 2008-09			0%	0%		22%
WASTEWATER FUND						
431-4311 Wastewater Policy, Planning, Management						
Administrative Analyst I/II/Sr/Principal	1	0	0	0	0	0
Assistant MUD Director	0	0	1	1	0	1
Buyer I/II/Sr	1	1	1	1	0	1
Deputy Director Maintenance & Collections	0	1	1	1	0	1
Deputy Director Wastewater	1	1	1	1	0	1
Deputy Director Water Resource Planning	0	0	1	1	(1)	0
Director of Municipal Utilities	1	1	1	1	0	1
Executive Assistant	1	1	1	1	0	1
Finance Officer	0	0	0	0	1	1
Materials Specialist	1	2	2	2	0	2
Occup Health & Safety Compliance Officer	1	1	1	1	0	1
Office Asst I/II/Sr. Office Specialist/ Secretary	3	4	3	3	1	4
Program Manager I/II/III	0	2	2	2	0	2
Program Manager III	1	0	0	0	1	1
Regulatory Compliance Officer	1	1	1	1	0	1
SCADA/CMMS Manager	0	0	1	1	0	1
Supervising Office Assistant	1	0	0	0	0	0
Technology Support Specialist I/II	1	1	1	1	0	1
	14	**16**	**18**	**18**	**2**	**20**

PERSONNEL BY FUND - MUNICIPAL UTILITIES DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
431-4312 Engineering CIP						
SCADA/CMMS Manager	0	1	0	0	0	0
Engineering Aide/ Tech I/II/Sr	1	0	0	0	0	0
Engineering Manager	1	1	0	0	1	1
GIS Specialist I/II	1	1	1	1	0	1
Junior/Assistant/Associate Civil Engineer	5	6	6	6	0	6
Office Asst I/II/ Office Specialist/ Secretary	2	1	1	1	1	2
Public Works Inspector	1	2	2	2	0	2
Sr Civil Engineer	2	3	3	3	(2)	1
Principal Civil Engineer	0	0	0	0	1	1
Sr Office Assistant	0	1	1	1	(1)	0
Sr Plant Maintenance Supervisor	0	1	0	0	0	0
	13	**17**	**14**	**14**	**0**	**14**
431-4331 Operations						
Chief Plant Operator	0	0	0	0	1	1
Office Asst I/II/ Office Specialist/ Secretary	0	0	1	1	0	1
Plant Operator I/II/Sr	26	26	26	26	0	26
Plant Operations Supervisor	0	2	2	2	0	2
Sr Plant Operations Supervisor	1	1	1	1	(1)	0
	27	**29**	**30**	**30**	**0**	**30**
431-4331 Maintenance						
Electrical Technician I/II	4	4	4	4	(1)	3
Office Asst I/II/ Office Specialist/ Secretary	1	1	1	1	(1)	0
Plant Maintenance Machinist	1	1	1	1	0	1
Plant Maintenance Mechanic	13	15	16	16	(8)	8
Plant Maintenance Worker I/II	4	8	8	8	(3)	5
Plant Maintenance Supervisor	0	2	2	2	(1)	1
Sr Plant Maintenance Mechanic	4	5	4	4	(1)	3
Sr Plant Maintenance Supervisor	1	1	1	1	(1)	0
	28	**37**	**37**	**37**	**(16)**	**21**
431-4332 Sanitary Sewers/Collections						
Collection Systems Operator I/II/Sr	23	23	32	32	0	32
Collection Systems Supervisor	1	1	2	2	0	2
Office Asst I/II/ Office Specialist/ Secretary	1	0	1	1	0	1
Water/Sewer Equipment Operator	2	2	2	2	0	2
	27	**26**	**37**	**37**	**0**	**37**
431-4333 Sanitary Pump Stations						
Electrical Technician I/II					1	1
Office Asst I/II/ Office Specialist/ Secretary					1	1
Plant Maintenance Mechanic					9	9
Plant Maintenance Worker I/II					2	2
Plant Maintenance Supervisor					1	1
Sr Plant Maintenance Mechanic					1	1
Sr Plant Maintenance Supervisor					1	1
	0	**0**	**0**	**0**	**16**	**16**
431-4341 Environmental Control						
Environmental Control Officer	2	4	4	4	0	4
Office Asst I/II/ Office Specialist/ Secretary	0	0	1	1	0	1
Sr Environmental Control Officer	1	1	1	1	0	1
Technical Services Supervisor	1	1	1	1	0	1
	4	**6**	**7**	**7**	**0**	**7**
Total Wastewater	**113**	**131**	**143**	**143**	**2**	**145**
% Change vs. 2008-09	10		27%	27%		28%

PERSONNEL BY FUND - MUNICIPAL UTILITIES DEPARTMENT
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
STORMWATER FUND						
441-4410 Stormwater-Policy, Planning, Management						
Office Asst I/II/ Office Specialist/ Secretary	0	1	1	1	0	1
Program Manager I/II	1	1	1	1	0	1
Program Manager III	1	1	1	1	0	1
Public Works Inspector	1	1	1	1	0	1
Stormwater Outreach Coordinator	1	1	0	0	0	0
	4	**5**	**4**	**4**	**0**	**4**
441-4431 Stormwater Collections						
Collections Systems Operator I/II/Sr	3	4	2	3	0	3
	3	**4**	**2**	**3**	**0**	**3**
Total Stormwater	**7**	**9**	**6**	**7**	**0**	**7**
% Change vs. 2008-09			-14%	0%		0%
LABORATORY						
Chemist	2	2	2	2	0	2
Laboratory Technician	3	3	3	3	0	3
Laboratory Supervisor	1	1	1	1	0	1
Microbiologist	1	1	1	1	0	1
	7	**7**	**7**	**7**	**0**	**7**
Total Municipal Utilities	**168**	**187**	**197**	**198**	**11**	**209**
% Change vs. 2008-09			17%	18%		24%

PERSONNEL BY FUND - ADMINISTRATIVE AND SUPPORT DEPARTMENTS
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
CITY COUNCIL						
Admin Aide I/II	1	0	0	0	0	0
Councilmember	6	6	6	6	0	6
Executive Assistant to the Mayor	1	1	1	1	0	1
Mayor	1	1	1	1	0	1
	9	8	8	8	0	8
CITY MANAGER						
Administrative Aide I/II	3	3	3	3	0	3
Assistant to the City Manager	1	1	1	1	0	1
City Manager	1	1	1	1	0	1
Community Relations Officer	0	1	0	0	0	0
Deputy City Manager I/II	3	2	2	2	0	2
Executive Assistant to City Manager	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	2	1	1	0	0	0
Program Manager III	6	3	2	2	0	2
Supervising Office Assistant	1	0	0	0	0	0
	18	13	11	10	0	10
CITY ATTORNEY						
Assistant City Attorney	2	1	1	1	0	1
City Attorney	1	1	1	1	0	1
Deputy City Attorney	6	6	6	6	0	6
Executive Assistant (Legal)	1	0	0	0	0	0
Executive Assistant to City Attorney	1	1	1	1	0	1
Legal Secretary I/II	3	2	1	2	0	2
Liability Claims Investigator I/II	1	1	1	0	0	0
Office Asst I/II/ Office Specialist/ Secretary	2	2	2	0	0	0
	17	14	13	11	0	11
CITY AUDITOR						
Admin Analyst I/II/Sr	0	0	0	1	0	1
Assistant City Auditor	1	1	1	1	0	1
Audit Assistant I/II	1	0	0	0	0	0
City Auditor	1	1	1	1	0	1
Deputy City Auditor I/II/Sr	4	2	2	1	0	1
	7	4	4	4	0	4
CITY CLERK						
Assistant City Clerk I/II	1	1	1	1	0	1
City Clerk	1	1	1	1	0	1
Office Specialist	2	0	0	1	0	1
Records Research Specialist	2	2	1	1	0	1
Sr Deputy City Clerk	1	1	1	1	0	1
Supervising Deputy City Clerk	1	1	1	1	0	1
	8	6	5	6	0	6
NON-DEPARTMENTAL						
Administrative Aide I/II	2	2	2	2	0	2
Program Manager III	1	1	1	1	0	1
Public Information Officer I/II	1	1	1	1	0	1
	4	4	4	4	0	4
OPERATION PEACEKEEPER PROGRAM						
010-0138 Youth Outreach Coordinator	1	1	1	1	0	1
010-0138 Youth Outreach Worker	5	5	5	5	0	5
	6	6	6	6	0	6
Total Non-Departmental	10	10	10	10	0	10

PERSONNEL BY FUND - ADMINISTRATIVE AND SUPPORT DEPARTMENTS
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
HUMAN RESOURCES						
GENERAL FUND						
010-1610 Human Resources-Recruitment & Workforce Planning						
Deputy Director of Human Resources	1	1	0	0	0	0
Human Resources Analyst I/II/Sr	5	4	3	3	(1)	2
Human Resources Asst I/II /Specialist	4	4	3	3	(2)	1
Human Resources Technician	1	1	1	1	(1)	0
Supervising Human Resource Analyst	1	1	1	1	0	1
	12	11	8	8	(4)	4
010-1620, 1621 Human Resources - Administration & Employee Relations						
Administrative Aide I/II	1	1	1	1	0	1
Assistant Director of Human Resources	1	1	1	1	0	1
Deputy Director of Human Resources	0	0	1	0	0	0
Director of Human Resources	1	1	1	1	0	1
Executive Assistant (Confidential)	1	1	1	1	0	1
Human Resources Analyst I/II/Sr	1	1	1	1	1	2
Human Resources Asst I/II /Specialist	1	1	1	1	1	2
Human Resources Program Assistant	0	0	0	0	1	1
Human Resources Technician	0	0	0	0	1	1
Human Resources Manager	1	1	0	0	0	0
Supervising Human Resource Analyst	1	0	0	0	1	1
	8	7	7	6	5	11
Total General Fund-Human Resources	20	18	15	14	1	15
% Change vs. 2008-09			(0)	(0)		(0)
INTERNAL SERVICE FUNDS						
551-5600 WORKERS' COMPENSATION						
Human Resources Asst I/II /Specialist	1	1	2	1	(1)	0
Human Resources Program Assistant	0	1	1	1	0	1
Human Resources Technician	2	2	1	1	(1)	0
Workers' Comp/Safety Coordinator	1	0	0	0	0	0
	4	4	4	3	(2)	1
552-5510 HEALTH BENEFITS						
Benefits Analyst	1	1	1	1	0	1
Deputy Director of Human Resources	0	0	0	0	1	1
Human Resources Asst I/II /Specialist	1	1	0	1	0	1
Human Resources Program Manager	1	1	1	1	(1)	0
Human Resources Technician	0	1	2	2	0	2
Supervising Human Resources Analyst	0	0	0	0	1	1
	3	4	4	5	1	6
541-5700 GENERAL LIABILITY INSURANCE						
Human Resources Programt Assistant	0	0	0	0	1	1
Human Resources Manager	0	0	0	0	1	1
Liability Claims Investigator I/II	1	1	0	1	0	1
Claims Analyst I	0	0	1	1	0	1
Risk/Loss Control Specialist	0	0	2	2	(1)	1
Risk/Loss Control Analyst	1	1	0	1	(1)	0
Risk Manager	1	1	1	1	(1)	0
	3	3	4	6	(1)	5
Total Internal Service Funds	10	11	12	14	(2)	12
Total Human Resources	30	29	27	28	(1)	27
% Change vs. 2008-09			(0)	(0)		(0)

PERSONNEL BY FUND - ADMINISTRATIVE AND SUPPORT DEPARTMENTS
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
ADMINISTRATIVE SERVICES DEPARTMENT						
GENERAL FUND						
010-1310 Administration						
Accountant I/II/Sr	0	0	1	1	(1)	0
Administrative Analyst I/II/Sr/Principal	2	1	0	0	0	0
Assistant Director of Financial Mgmnt	1	1	0	0	1	1
Auditor/Internal Auditor I/II/Sr	2	0	0	0	0	0
Chief Financial Officer	1	1	1	1	0	1
Executive Assistant	1	1	0	0	1	1
Finance Officer	1	1	1	1	(1)	0
Office Asst I/II/ Office Specialist/ Secretary	0	0	3	3	(2)	1
Program Manager I/II	0	1	0	1	(1)	0
Program Manager III	0	0	1	1		1
	8	6	7	8	(3)	5
010-1320 Financial Services						
Accounting Office Assistant I/II/Sr	6	0	0	0	0	0
Accountant I/II/Sr	6	5	6	6	1	7
Accounting Manager	1	1	0	1	0	1
Audit Assistant I/II	1	0	0	0	0	0
Deferred Compensation Specialist	1	0	0	0	0	0
Finance Assistant I/II/Sr	0	5	6	6	1	7
Financial Services Supervisor	0	1	1	1	0	1
Program Manager I/II	0	0	1	1	0	1
Program Manager III	0	0	1	0	0	0
Supervising Accountant	1	1	0	0	0	0
Supervising Accounting Office Assistant	1	0	0	0	0	0
	17	13	15	15	2	17
010-1322 Budget						
Budget Officer	1	1	1	1	0	1
Program Manager I/II	0	1	2	2	1	3
Administrative Analyst I/II/Sr/Principal	2	1	1	1	(1)	0
	3	3	4	4	0	4
010-1331 Treasury						
Office Asst I/II/ Office Specialist/ Secretary	0	1	1	1	0	1
Revenue Assistant I/II/Sr	8	5	9	9	0	9
Revenue Collector	3	1	2	2	0	2
Revenue Officer	1	1	0	0	1	1
Supervising Revenue Assistant	1	1	1	1	0	1
	13	9	13	13	1	14
010-1340 Purchasing						
Buyer I/II/Sr	3	2	2	2	0	2
Materials Specialist	3	1	0	1	0	1
Materials Supervisor	1	0	0	0	0	0
Office Asst I/II/ Office Specialist/ Secretary	1	0	0	0	0	0
Purchasing Agent	1	1	1	1	0	1
	9	4	3	4	0	4
010-1350 Utility Billing/Customer Service						
Customer Service Assistant	2	2	2	2	0	2
Revenue Assistant I/II/Sr	7	8	9	9	0	9
Revenue Collector	3	3	3	3	0	3
Supervising Revenue Assistant	1	1	1	1	0	1
	13	14	15	15	0	15
Total General Fund	63	49	57	59	0	59
% Change vs. 2008-09			(0)	(0)		(0)

PERSONNEL BY FUND - ADMINISTRATIVE AND SUPPORT DEPARTMENTS
2012-13 Proposed Budget

	2008-09	2009-10	2010-11	FY 2011-12 Adopted	Staffing Modifications	FY 2012-13 Proposed
INTERNAL SERVICE FUNDS						
502-5100 Information Technology						
Assistant/Deputy IT Director	1	1	1	1	(1)	0
Director of IT	1	0	0	0	0	0
Executive Assistant	1	0	0	0	0	0
GIS Analyst I/II/Sr	3	3	3	2	1	3
GIS Specialist I/II/Sr	1	3	3	1	(1)	0
GIS Supervisor	1	1	1	1	0	1
Network Support Analyst I/II/Sr	6	4	4	4	0	4
Network Support Services Supervisor	1	1	1	1	0	1
Office Asst I/II/ Office Specialist/ Secretary	3	2	2	2	0	2
Program Manager I/II	1	1	1	1	0	1
Sr GIS Specialist	2	0	0	0	0	0
Systems Analyst I/II/Sr	10	9	10	10	(1)	9
Technology Officer	0	0	0	0	1	1
Technology Project Coordinator	2	1	1	1	0	1
Technology Support Specialist I/II	15	11	9	9	1	10
Technology Systems Supervisor	4	3	3	3	0	3
	52	**40**	**39**	**36**	**0**	**36**
502-5400 Document Services						
Reprographics/Mailroom Supervisor	1	1	1	1	0	1
Reprographics/Mailroom Technician I/II	3	2	2	1	0	1
	4	**3**	**3**	**2**	**0**	**2**
503-5200 Radio						
Technology Project Coordinator	0	0	1	1	(1)	0
Technology Support Specialist I/II	1	1	1	1	0	1
Project Manager I/II	1	1	0	0	1	1
	2	**2**	**2**	**2**	**0**	**2**
504-5300 Telecommunications						
Technology Support Specialist I/II	0	1	1	1	0	1
Telecommunications Coordinator	1	0	0	0	0	0
	1	**1**	**1**	**1**	**0**	**1**
Total Internal Service Funds	**59**	**46**	**45**	**41**	**0**	**41**
Total Administrative Services	**122**	**95**	**102**	**100**	**0**	**100**
% Change vs. 2008-09			-16%	-18%		-18%
Total Administration and Support	**221**	**179**	**180**	**177**	**(1)**	**176**
% Change vs. 2008-09			-19%	-20%		-20%
City-wide Total	**1,886**	**1,584**	**1,493**	**1,414**	**21**	**1,435**

Resolution No.

STOCKTON CITY COUNCIL

RESOLUTION BY THE CITY COUNCIL OF THE CITY OF STOCKTON ADOPTING CHANGES IN TERMS AND CONDITIONS OF EMPLOYMENT AS PART OF THE CITY'S PENDENCY PLAN AND BUDGET FOR EMPLOYEES IN STOCKTON FIREFIGHTERS' LOCAL 456, STOCKTON FIRE MANAGEMENT UNIT, STOCKTON CITY EMPLOYEES' ASSOCIATION, STOCKTON POLICE MANAGEMENT ASSOCIATION, OPERATING ENGINEERS' LOCAL 3 (WATER SUPERVISORS, OPERATIONS AND MAINTENANCE, TRADES AND MAINTENANCE UNITS), STOCKTON POLICE OFFICERS' ASSOCIATION, AND STOCKTON MID-MANAGEMENT/SUPERVISORY LEVEL UNIT; AND CHANGES TO THE RETIREE MEDICAL PLAN BENEFIT FOR THOSE CITY OF STOCKTON RETIREES RECEIVING RETIREE MEDICAL BENEFITS; AND DECLARING AN EMERGENCY PURSUANT TO GOVERNMENT CODE SECTION 3504.5

The City of Stockton (City) and Stockton Firefighters' Local 456, Stockton Fire Management Unit, Stockton City Employees' Association, Stockton Police Management Association, Operating Engineers' Local 3 (Water Supervisors, Operations and Maintenance, Trades and Maintenance Units), Stockton Police Officers' Association, and Stockton Mid-Management/Supervisory Level Unit have previously adopted terms and conditions of employment for employees in Memoranda of Understanding that were ratified by individual employee organizations and adopted by the City Council; and

Post Employment Benefits in the manner of Retiree Medical Benefits have for many years been included in various Memoranda of Understanding and there are currently approximately 1,100 retirees receiving these Post Employment Benefits paid for by the City; and

The City has for several years experienced both unprecedented decreases in revenues and increases in expenditures and has been forced to make service reductions, staffing reductions, and decreases in compensation and benefits for employees in order to balance expenditures and revenues to the detriment of both the City residents and employees; and

Despite all of the previous budget balancing adjustments made, the City still faces insolvency both currently and in future years due to additional decreases in

City Atty Review _____
Date June 20, 2012

revenues and increases in expenditures projected for Fiscal Year 2012-13 which continues to grow over the next 10 years; and

The City is required by California law and its own Charter to adopt a balanced budget and is facing extraordinary circumstances to avoid a catastrophic insolvency and must minimize the impact of additional substantial service reductions to the public in the 2012-13 Fiscal Year; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. To the extent that the meet and confer process under the Meyers-Milias-Brown Act is not yet complete, the Council hereby finds that the need to immediately implement the Pendency Plan and to take the actions set forth in this resolution constitutes an emergency within the meaning of Government Code section 3504.5, authorizing the immediate implementation of such plan while the City completes any remaining aspects of the meet and confer process. This emergency is based upon the findings in the budget staff report of June 26, 2012, and in the staff report and Resolution No. 2012-06-05-1501 adopted by the Council on June 5, 2012.

2. The Pendency Plan changes to terms and conditions of employment for certain employees of the City (attached hereto as Exhibits 1 through 9) are adopted.

3. The Pendency Plan changes to the retiree medical benefit for those City retirees that receive retiree medical benefits from the City (attached hereto as Exhibit 10) are adopted.

4. The Pendency Plan changes adopted herein are effective July 1, 2012.

5. The Pendency Plan changes adopted herein and the budget for Fiscal Year 2012-13, approved by Resolution No. _____, supersede any and all previous and current Memoranda of Understanding, amendments thereto, letters of understanding, and side agreements currently in effect between the City and the affected employee organizations.

6. The Pendency Plan changes adopted herein pertaining to the City retiree medical benefit adopts and authorizes changes in terms and conditions for all retirees eligible for or currently receiving retiree medical benefits from the City. Adoption of the Pendency Plan changes adopted herein pertaining to the City retiree medical benefit

and the budget for Fiscal Year 2012-13, approved by Resolution No. _____, supersede any and all previous and current Memoranda of Understanding, amendments thereto, letters of understanding, and side agreements currently in effect at the time of retirement between the City and these retirees.

7. The City Manager is hereby authorized to take steps that are appropriate to carry out the purpose and intent of this resolution.

PASSED, APPROVED, and ADOPTED June 26, 2012.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton
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Due to the size of Exhibits 1-10 of Resolution 2, these documents have been saved as separate files that can be accessed at the following links:

EXHIBIT 1 - Stockton Firefighter's Local 456 MOU
EXHIBIT 2 - Stockton Fire Management Unit MOU
EXHIBIT 3 - Stockton City Employees Association (SCEA) MOU
EXHIBIT 4 - Stockton Police Management Association (SPMA) MOU
EXHIBIT 5 - Operating Engineers Local 3 Water Supervisors MOU
EXHIBIT 6 - Operating Engineers Local 3 Operations & Maintenance MOU
EXHIBIT 7 - Operating Engineers Local 3 Trades & Maintenance MOU
EXHIBIT 8 - Stockton Police Officers Association (POA) MOU
EXHIBIT 9 - Stockton Mid Level Managers & Supervisors Association (B&C) MOU
Exhibit 10 - Description of changes to benefits for retired employees

Hard copies of these documents are also available for review in the City Clerk's Office, City Hall, 425 N. El Dorado, Stockton, CA.

Resolution No.

STOCKTON CITY COUNCIL

RESOLUTION AMENDING THE UNREPRESENTED MANAGEMENT/ CONFIDENTIAL AND LAW DEPARTMENT EMPLOYEES' COMPENSATION PLAN

The Unrepresented Management/Confidential and Law Employees' Compensation Plan was amended, effective August 1, 2011, to include compensation and benefit changes consistent with changes in the other bargaining units; and

The City of Stockton is currently engaged in negotiations with all groups that include additional compensation and benefit reductions for represented groups that it would like to implement for the Unrepresented Management/Confidential and Law Department employees; and

The amended Unrepresented Management/Confidential and Law Employees' Compensation Plan incorporates compensation and benefit modifications that are similar in impact to other bargaining units; now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The Unrepresented Management/Confidential and Law Employees' Compensation Plan is amended, effective July 1, 2012, and shall continue unchanged unless amended by the City Council, a copy of which is attached as Exhibit 1 and incorporated herein by reference.

2. The City Manager is hereby authorized to implement these amendments to the salary and benefits of employees in these units covered by this Plan.

3. The City Manager is hereby authorized to take steps that are appropriate to carry out the purpose and intent of this Resolution.

PASSED, APPROVED and ADOPTED June 26, 2012.

ANN JOHNSTON, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton
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City Atty
Review
Date June 20, 2012

CITY OF STOCKTON

COMPREHENSIVE SUMMARY OF

CITY OF STOCKTON

UNREPRESENTED MANAGEMENT/CONFIDENTIAL AND LAW EMPLOYEES' COMPENSATION PLAN

The City's Unrepresented Management/Confidential employees designated Management MA (Department Heads), Management MV (Assistant Department Heads and other Middle-Management), Confidential MW (Administrative/Support Staff in the City Manager's Office, the Human Resources Department, and the City Auditor's Office), Law Department employees designated "Executive Plan" (EP), "Professional Plan" (PP), and "Support Plan" (SP) are hereby accorded compensation and benefits as outlined in this Plan consistent with the Stockton City Council's objective to fairly and equitably provide for its Unrepresented Management/Confidential and Law employees.

The Unrepresented Management/Confidential and Law Employees' Compensation Plan, as amended shall be effective **July 1, 2012** ~~August 1, 2011~~.

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The Unrepresented Management/Confidential and Law Employees' Compensation Plan, consists of a salary administration program and certain benefits specific to six (6) categories of non-represented employees listed in this Plan. This Plan shall be administered by the City Manager who is the City Council's designated representative for determining compensation and benefits for regular status Unrepresented Management/Confidential and Law Employees.

Management Plan "MA" includes the Assistant City Manager, Deputy City Manager II and Department Heads. Management Plan "MV" includes Assistant Department Heads, other Middle-Management classifications and the Liability Claims Investigator I/IIs. Confidential Plan "MW" includes other administrative and support staff in the City Manager's Office, City Auditor's Office, City Clerk's Office, and the departments of Human Resources, Administrative Services, Municipal Utilities, Fire, and Police. Executive Plan "EP" includes the City Attorney and the Assistant City Attorney. Professional Plan "PP" includes the Deputy City Attorneys. Support Plan "SP" includes all other Law Department personnel.

Unless specifically identified, all terms of this Compensation Plan apply to all groups listed above.

Section 1 Retirement Benefits

1.1 Retirement Benefits

(a) Effective August 1, 2011, miscellaneous employees' covered by this Plan, shall pay their own statutory employee contribution. Employees will pay 7% of their current base salary and other compensation as qualified by state law toward Public Employees' Retirement System (PERS) for the employee's PERS contribution.

(b) Effective August 1, 2011, safety employees covered by this Plan shall pay their own statutory employee contribution. Employees will pay 9% of their current base salary and other compensation as

qualified by state law toward PERS for the employee's PERS contribution.

(c) Under IRS 414h, previously adopted by resolution by the City, the employee's payment will be paid by the employee on a pre-tax basis. Such amounts will be applied to the employee's individual accounts in accordance with California Government Code section 20615.

1.2 Public Employees' Retirement System Benefits for Unit Employees hired on or before August 1, 2011.

(a) The City's PERS retirement plan for miscellaneous employees is two percent (2%) at age 55. The City's PERS retirement plan is modified to reflect California Government Code section 21024 (Military Service Credit as Public Service) and section 21027 (Military Service Credit for Retired Persons), as hereinafter may be amended. The City provides PERS California Government Code section 20692 (Employer Paid Member Contributions Converted to Payrate during the Final Compensation Period) as an added PERS benefits. Internal Revenue Service (IRS) Code 414H(2) will be concurrently implemented with PERS California Government Code section 20692. The City provides PERS California Government Code section 20965 (Credit for Unused Sick Leave) as an added PERS benefits, the City provides PERS California Government Code section 21574 (Fourth Level of 1959 Survivor Benefits) as added PERS benefits. The City will provide PERS California Government Code section 21335 up to a 5% Annual Cost-of-Living Allowance, as an added PERS benefit.

(b) The City's PERS retirement plan for safety employees shall be the same plan in effect for other similar safety employees in other units.

1.3 Public Employee Retirement System Benefits for Unit Employees hired on or after August 1, 2011.

The City will amend its PERS contract effective August 1, 2011, or as soon thereafter as possible, to provide a new tier of retirement

benefits for employees hired by the City after the PERS amendment goes into effect.

(a) For Miscellaneous employees, the new tier shall have a retirement formula of 2% at 60 with three year average salary formula, standard PERS COLA, and no other additional PERS benefits for all unit employees hired on or after July 1, 2011, or as soon as administratively possible consistent with PERS contract process. All unit employees shall pay the entire seven percent (7%) of the employee's current base salary and any other compensation as qualified by state law towards PERS retirement benefit through a payroll deduction.

(b) The new tier for Safety employees shall be the same as the Fire employees or Police employees as appropriate under the applicable PERS contract. All safety employees shall pay the entire nine percent (9%) of the employee's current base salary and any other compensation as qualified by state law towards PERS retirement benefit through a payroll deduction.

Section 2 Group Life Insurance Coverage

Each participant in the program will receive group life insurance coverage paid for by the City of Stockton.

~~Effective January 1, 2001, MA and EP employees will receive life insurance coverage equal to three and one-half (3 ½) times their annual salary.~~

~~Effective January 1, 2001, MV and PP employees will receive coverage equal to two and three-quarter (2 ¾) times their annual salary.~~

~~Effective January 1, 2001, MW and SP employees will receive coverage equal to life insurance coverage will be two (2) times their annual salary.~~

~~In all instances, coverage will be rounded to the nearest ONE THOUSAND DOLLARS ($1,000).~~

Effective July 1, 2012, the City shall provide, at no cost to the employee, a term life and accidental death and dismemberment insurance policy with a value of $50,000.

Section 3 Long Term Disability (LTD) Insurance Coverage

Employees covered by this Plan, except as provided below, and will receive long term disability insurance coverage. The benefits of this plan shall be included in the Plan document or contract but are generally summarized as follows:

(a) Each disability - approximately 66 2/3% of salary for MA, MV, MW, EP, PP, and SP employees **up to the maximum salary replacement amount as specified in the City's long term disability plan.**

(b) **Disability income payments shall commence after ninety (90) day waiting period. Employees may use sick leave and other leave balances to cover this waiting period, or leave without pay.** ~~A 30-day is waiting period before eligibility for benefit~~.

(c) Benefit payable up to age sixty-five (65).

(d) The City shall continue its normal contribution for employee medical premiums during the ninety (90) days waiting period

(e) Effective May 1, 2010, Fire Management will receive LTD insurance coverage through the California Association of Professional Firefighters. The City pays the cost of the insurance premium.

Section 4 Health and Dental Insurance

4.1 Employee Coverage

(a) Choice of Health Plans -Employees covered by this Plan shall have a choice of enrolling themselves and their eligible dependents in any of the City-sponsored medical, dental and vision plans. The City's Modified Plan, revised as of September 1, 2011, or any other city sponsored plan that the City shall offer to regular employees, shall be available to employees in this group. For the modifications to the City's Modified Plan, which are effective September 1, 2011, the revised annual deductible shall be effective on January 1, 2012.

(b) Eligibility. Employees shall become eligible for Medical and vision insurance on the first day of the month subsequent to completion of thirty (30) days of continuous service with the City. Employees shall become eligible for Dental insurance on the first day of the month subsequent to completion of sixty (60) days continuous service with the City. **An eligible employee and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee, but not both. If an employee is also eligible to cover their dependent child, the child will be allowed to enroll as a dependent on only one employee plan (i.e., an employee and his or her dependent cannot be covered by more than one City-offered health plan).**

(c) City Insurance Contribution. Employee contributions in effect on July 1, 2011, shall remain in effect until September 1, 2011, when they shall be replaced with the following. Effective September 1, 2011:

1) The City shall contribute up to $481.00 per month toward the cost of the monthly premium for employee-only medical/dental/vision plan coverage.

2) The City shall contribute up to $875.00 per month toward the cost of the monthly premium for employee plus one dependent medical/dental/vision plan coverage.

3) The City shall contribute up to $1,165.00 per month toward the cost of the monthly premium for employee plus two or more dependents medical/dental/vision plan coverage.

4) These contributions are based on full-time employment; regular part-time employees shall receive a prorated contribution based on their percentage of full-time employment. The employee, through payroll deductions, shall pay insurance plan premiums that exceed the City's monthly contribution. The City shall maintain its IRS Section 125 Plan to allow for employee contributions for medical/visions/dental to be pre-tax premium conversion.

(d) Plan Rules. Employees may insure themselves and their eligible dependents under the medical/vision and dental plans provided by the City, in accordance with the rules and regulations applicable to the selected Plan. Benefits in the Plan shall be in accordance with the Plan document.

(e) Provisional and temporary employees are not eligible for any of the above benefits.

(f) Employees receive benefits in the City's Modified Plan, which is referred to in this resolution as "Modified Employee Medical Plan." Modifications to the City's Modified Plan shall be effective September 1, 2011.

~~4.2 Effective January 1, 1997, the City will continue the above-stated medical coverage benefits for spouse/registered domestic partner, and eligible dependents upon the death of an employee while employed with the City of Stockton. When the spouse or registered domestic partner becomes age 65, City medical coverage shall be secondary coverage and supplemental to Medicare.~~

4.3 Health and Welfare Benefits During Layoff Regular status employees who are laid off will have an option of maintaining their existing health and welfare benefits for thirty-six (36) months from the date of layoff, provided timely payments of the premiums by the employee are made to the City, according to City regulations, and provided the employee otherwise meets the requirements of Federal and State regulations.

4.4 Retirement Medical Allowance

(a) Eligibility. An eligible retiree and eligible dependent may be enrolled in a City offered medical plan either as a subscriber in a City offered medical plan or, as the dependent spouse/registered domestic partner or another eligible City employee/retiree, but not both. If an employee/retiree is also eligible to cover their dependent child, the child will be allowed to enroll as a dependent on only one employee or retiree's plan (i.e., a retiree and his or her dependent cannot be covered by more than one City-offered health plan).

(b) City Contribution for the Period July 1, 2012 Through June 30, 2013. Effective July 1, 2012, for employees hired on or before June 30, 2011, at retirement only, the City shall provide to employees retiring from the City the following contribution towards the costs of retiree medical insurance:

(1) Employees retiring with over 10 years of full time service with the City of Stockton as a regular employee

shall receive a City contribution of $150 a month towards the cost of retiree medical insurance.

(2) Employees retiring with over 20 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $300 a month towards the cost of retiree medical insurance.

(3) Employees retiring with over 30 years of full time service with the City of Stockton as a regular employee shall receive a City contribution of $450 a month towards the cost of retiree medical insurance.

(4) Employees with less than 10 years of service for the City shall not be eligible for a city contribution towards retiree medical and may not be enrolled in the City sponsored plans.

(5) Benefits for part time employees who retire are prorated based on their full time equivalent.

(6) The City contributions shall end with the death of the retiree and no survivor benefits are provided.

(7) Retirees who are enrolled in city-sponsored plans may not enroll their eligible dependents at their own expense.

The City's obligation for retiree medical benefits is to the retiree and shall end upon the death of the retiree. Surviving spouses shall not be eligible for any city paid benefit after the death of the city retiree. Any benefits previously paid to surviving spouses has been paid in error and without the approval of the City Council.

(c) Elimination of Retiree Dental Benefits to Current and

Retired Department Heads. Effective July 1, 2012, the City shall no longer provide a contribution towards the cost of retiree dental insurance for current employees (future retirees) and current retirees. Retirees shall not be eligible to participate in the City's dental plans.

(d) Elimination of Retiree Medical Program Effective June 30, 2013. Effective June 30, 2013, the City shall no longer provide a contribution towards the cost of retiree medical insurance for current employees (future retirees) and current retirees. Retirees shall not be eligible to participate in the City's medical plans.

~~(a) For unit members hired prior to August 1, 2011, and who meet the requirements below, the City shall pay a premium for the purpose of providing hospital-medical and prescription benefits for each employee covered by this Plan who has retired. Such coverage shall include one (1) dependent . The medical plan for employees retiring shall be the City's Modified Plan, which includes changes effective September 1, 2011. In addition, MA and EP employees will be provided dental coverage upon retirement until age 65.~~

~~(b) Normal Service Retirement~~

~~Eligibility for the allowance provided by this Section is limited to employees who have retired subsequent to April 1, 1983, and who have retired at age fifty (50) or later. Such allowance shall terminate at age sixty-five (65).~~

~~(c) Disability Retirement~~

~~Eligibility for the allowance provided by this Section is limited to employees who have retired subsequent to April 1, 1983, and such allowance shall be limited to a maximum of fifteen (15) years or the attainment of age sixty-five (65), whichever occurs first.~~

~~4.5 Supplemental Retiree Medical Insurance Allowance and Coordination with Medicare after Age 65.~~

~~For unit members hired prior to August 1, 2011, and who retired after January 1993, and eligible for retiree medical insurance allowance as provided in this section, shall continue to be eligible to participate in the City's Modified Plan, which includes changes effective September 1, 2011, for retired employee and one (1) eligible dependent when both persons reach age sixty-five (65) or at the age when eligible for Medicare, whichever occurs later. The City's retiree medical insurance plan shall be supplemental and secondary to Medicare medical coverage or any other medical benefit coverage available to the retired employee and eligible dependent.~~

~~4.6 Retiree Medical Benefits for employees hired by the City after August 1, 2011~~

~~Unit members with a City hire date on or after August 1, 2011, will not be eligible for any retiree medical benefit or contribution including either the regular Retirement Benefit Allowance (to age 65) or the Supplemental Allowance (after age 65) as set forth above in sections 4.4 and 4.5 above.~~

4.5 Alternative Retirement Medical Plans

The parties have negotiated that employees may choose to enroll in one or more additional health plans instead of the City

Modified Plan (including but not limited to Kaiser Senior Advantage).

This language sets forth the conditions in which current employees, when they retire from the City and otherwise qualify for a retiree medical benefit from the City as stated in Sections 14.3 and 14.4 of this resolution , may also choose to enroll in City sponsored alternative plans in the same manner as when they were employees, as well as retiree only medical plans. The following conditions shall apply:

(a) If an employee is in a City sponsored alternative plan at the time of retirement, the employee shall be allowed to continue in that Plan. Employees in the union sponsored plans authorized by the City at the time of retirement shall be allowed to continue in that Plan. (Operating Engineers units).

(b) Employees not in an alternative Plan at the time of retirement shall not be allowed to enroll in any alternative plan except that; any retiree may voluntarily enroll in a City sponsored retiree only Plan.

A retiree may only enroll in alternative plans other than the City Modified Plan when:

(a) The retiree selecting plans other than the City's Modified Plan must agree that the City's financial contribution to a premium payment for any other Plan shall not exceed the current contribution amount the City would pay if the retiree is enrolled in the City Modified Plan, and

(b) The individual retirees will be required to sign a form that indicates their agreement with these conditions.

The City reserves the right to eliminate these additional plans and the choice of multiple plans is not a vested right. Like the City Modified Plan, the City reserves the right to make plan design changes as necessary in these Alternative Plans.

4.6 Medicare Supplemental Coverage Requirements only for Employees Hired on or Before June 31, 2011.

The City reserves the right to terminate reimbursement payments for Part A Medicare coverage, in which event the retiree will receive the City's modified medical plan which includes medical design changes effective September 1, 2011 as the primary health coverage, with the premiums for such coverage to be paid by the City. The coverage provided pursuant to this section shall apply to the retiree and his/her spouse

Under the federal Health Care Reform Plan, sponsors may modify the medical benefits provided to retirees only. The City will modify its retiree health care plan to reflect the following:

(a) Return Plan benefits for Acupuncture to 12 visits per year (instead of unlimited) and returns the payment percentage paid to 60% (instead of 80%);

(b) Return Plan benefits for Alcohol and Drug Treatment admissions to 30 days and 3 lifetime admissions (instead of unlimited);

(c) Return Plan benefits for Outpatient Mental Health or Nervous Disorder services to 15 visit maximum (instead of unlimited);

(d) Change Plan benefits for Preventative care and wellness to 80% instead of current 100%;

(e) Return Plan benefits on the lifetime cap on plan benefits to $2.5 million (instead of unlimited);

(f) Return Plan benefits on the maximum age of dependent children to be enrolled in the Plan to age 19 unmarried, and not serving in the armed forces to 23 if attending school full time and qualifies as a dependent for federal income tax purposes.(instead of age 26); and

(g) Change Plan benefits for Emergency room benefits.

Section 5 Holidays

5.1 Qualifying for Holiday Pay

All regular employees, excluding provisional and temporary employees, shall be entitled to take all authorized holidays at full pay not to exceed eight (8) hours for any one (1) holiday.

5.2 Holidays Observed by the City

(1) January 1 .....New Year's Day
(2) Third Monday in January Martin Luther King Jr.'s Birthday
(3) Second Monday in February ..... Lincoln's Birthday
(4) Third Monday in February ..... Washington's Birthday
(5) March 31 (FLOATING) .....Cesar Chavez Birthday
(6) Last Monday in May ..... Memorial Day
(7) July 4..... Independence Day
(8) First Monday in September.....Labor Day
(9) Second Monday in October .....Columbus Day
(10) November 11..... Veteran's Day
(11) Fourth Thursday in November .....Thanksgiving
(12) **Fourth Friday in November** ~~following the day known as.~~**day after Thanksgiving**
(13) December 25.....Christmas Day

~~(14) Employee's Birthday (FLOATING)~~

FLOATING holidays to be taken within ninety (90) work days on or after the observed holiday.

~~In addition, the City shall observe a day appointed by the President or Governor as a public holiday and ratified by the City Council.~~

If any of said holidays fall on a Sunday, the following Monday shall be observed as a holiday. If any of said holidays fall on a Saturday, the proceeding Friday shall be observed as a holiday.

In order to receive Holiday Pay the employee must be in a paid status the day before and the day after the holiday.

5.3 Compensation for Holidays Worked

Prior approval for holiday work must be secured from the City Manager except in emergency situations where said approval cannot be obtained beforehand.

Section 6 Vacation Leaves

Effective August 1, 2011, the following shall be the vacation leave benefits for all employees covered by this Plan. For employees having already received their annual vacation benefit for 2011/12 on July 1, 2011, the provisions of 6 (a) shall not go into effect until July 1, 2012.

For purposes of determining eligibility for Sections 6(a) and (b) below, all Department Heads and Deputy City Managers (MA and EP employees) are to be considered as having been employed by the City of Stockton for at least 7.5 Years and shall receive benefits based on that number of years of service. For purposes of determining eligibility for Sections 6(a) and (b) all assistant Department Heads and mid-management (MV and PP employees) are to be considered as having been employed by the City of

Stockton for at least 1.5 years and shall receive benefits based on that number of years of service.

(a) Vacation Allowance.

Non overtime exempt employees. All regular employees, excluding provisional and temporary, shall accrue vacation leave with pay in accordance with the following schedule:

(1) Less than one and one-half (1-1/2) years continuous employment..... 80 hours/year.

(2) After one and one-half (1-1/2) to seven and one-half (7-1/2) years continuous employment 108 hours/year.

(3) After seven and one-half (7-1/2) to fifteen (15) years continuous employment..... 144 hours/year.

(4) After fifteen (15) to twenty-five (25) years continuous employment 189 hours/year.

(5) Thereafter, seven (7) additional hours for each completed year of service in excess of twenty-five (25) years.

~~(6) Employees who are in classifications exempt from earning overtime shall accrue an additional 40 hours of vacation each year.~~

~~(7) Employees shall accrue their vacation allowance in 24 equal amounts on a twice-monthly payroll basis (24 pay periods).~~

Overtime exempt employee. All overtime exempt employees, excluding provisional and temporary, shall

accrue vacation leave with pay in accordance with the following schedule:

(1) Less than one and one-half (1-1/2) years continuous employment ..... 120 hours/year.

(2) After one and one-half (1-1/2) to seven and one-half (7-1/2) years continuous employment 148 hours/year.

(3) After seven and one-half (7-1/2) to fifteen (15) years continuous employment 188 hours/year.

(4) After fifteen (15) to twenty-five (25) years continuous employment 229 hours/year.

(5) Thereafter, seven (7) additional hours for each completed year of service in excess of twenty-five (25) years.

Employees shall accrue their vacation allowance in 24 equal amounts on a twice-monthly payroll basis (24 pay periods).

(b) Maximum Vacation Accrual. ~~Effective August 1, 2011,~~ Employees reaching the maximum hours provided here shall stop accruing additional vacation hours until they are below the caps listed here. No vacation hours maybe added to sick leave balances without exception. For employees who on August 1, 2011 have vacation balances that exceed their maximum, shall have one year to use sufficient vacation to get under the maximum allowed. If an employee does not get below the maximum by that date, they shall retain their existing earned vacation but shall not earn any additional vacation until they are under the maximum vacation allowed. MA and EP employees shall have two years to use sufficient vacation to get under the maximum allowed.

Maximum Vacation Accrual Caps.

40 hour employee (Non overtime exempt employee)

Under 1.5 yrs	120 hours ~~(15 days)~~
1.5-7.5 yrs	240 hours ~~(30 days)~~
7.5-15 yrs	280 hours ~~(35 days)~~
15-25yrs	320 hours ~~(40 days)~~
26 yrs	328 hours ~~(41 days)~~
27 yrs	336 hours ~~(42 days)~~
28 yrs	344 hours ~~(43 days)~~
29 yrs	352 hours (~~44 days~~)

Over ~~30~~ **29** years shall receive an additional 7 hours for each year of service.

40 hour employee (Overtime exempt employee)

Under 1.5 yrs	200 hours ~~(20 days)~~
1.5-7.5 yrs	320 hours ~~(35 days)~~
7.5-15 yrs	360 hours ~~(40 days)~~
15-25yrs	400 hours ~~(45 days)~~
26 yrs	408 hours ~~(46 days)~~
27 yrs	416 hours ~~(47 days)~~
28 yrs	424 hours ~~(48 days)~~
29 yrs	~~432~~**431** hours ~~(49 days)~~

Over ~~30~~ **29** years shall receive an additional 7 hours for each year of service

(c) Vacation Scheduling. Vacation leaves shall be scheduled with due consideration for the wishes of the employee and so as to not interfere with the normal operation of the City business. Vacation requests are accepted on a day for day basis.

(d) Holiday during Vacation. If any such paid holidays fall within an employee's vacation leave, the employee will not be charged vacation accrual for that day.

(a) Cash Payment Option for Vacation.

(1) Effective August 1, 2011, an employee may elect to receive cash payment for up to a maximum of forty (40) hours~~, or eighty (80) hours for employees in classifications exempt from earning overtime, of accumulated hours~~ annually except that all cash outs shall be suspended during furlough **or fiscal emergency** periods.

~~(2) Unused vacation hours are payable at separation~~.

(f) Vacation Cash Out Upon Separation. When an employee is separated from the service between February 17, 2012 and July 1, 2014, the employee's remaining vacation allowance, if any, shall be paid as follows:

(1) Upon separation, employees shall receive one third (1/3) or $10,000, whichever is greater, of the total of his/her unused accumulated vacation hours.

(2) On the one year anniversary of employee's separation, he/she shall receive the second payment of one third (1/3) or $10,000, whichever is greater, of the balance of his/her unused accumulated vacation hours.

(3) On the second anniversary of separation, he/she shall receive the balance payment of the unused accumulated vacation hours.

(4) Employees who are involuntarily separated shall have their unused accumulated vacation hours, if any, added to his/her final compensation.

Section 7 Mileage Reimbursement for Private Vehicle Use

The private vehicle mileage reimbursement will be paid to employees who use their private vehicle for City business travel within the City or out of the City limit. Such usage must be documented. Mileage reimbursement for use of personal vehicle shall be compensated at the current Internal Revenue Service (IRS) rate.

Reimbursement for average mileage on City business greater than 1,000 miles per month will be determined by the City Manager, provided no such reimbursement shall exceed IRS mileage reimbursement rate then in effect.

Section 8 Sick Leave

8.1 Sick Leave Use

(a) Accrual. All regular full-time employees, except provisional and temporary employees, shall accrue sick leave at the rate of eight (8) hours for each month of completed service.

All regular employees, except provisional and temporary employees, scheduled to work less than a full month shall accrue sick leave on a prorated basis. Unused sick leave shall accrue from year to year. Employees shall continue to accrue sick leave while off duty on authorized sick leave; provided, however, an employee shall not accrue sick leave during any leave or leaves of absence without pay granted to the employee.

(b) Usage. Employees are entitled to sick leave pay for those days, which the employee would normally have worked, to a maximum of the hours accrued, described as:

Preventive medical, dental, optical care, illness, injury or exposure to contagious disease which incapacitates the employee from

performing normal work duties. This includes disabilities caused or contributed by pregnancy, miscarriage, abortion, childbirth and recovery there from.

(c) Family Sick Leave. Employees may utilize up to one-half of their annual sick leave accrual in the case of illness or injury in the employee's immediate family when such illness or injury requires personal care that otherwise would not be covered by the FMLA or CFRA leaves.

Such leave shall be restricted to the employee's parents, spouse, registered domestic partner, mother-in-law, father-in-law, child, stepchild, brother, sister, brother-in-law, sister-in-law, grandparent and grandchild, and legal dependent.

It is not the intent of this provision to conflict with any state or federally mandated policies, such as the Family Medical Leave Act (FMLA), the California Family Rights Act (CFRA), or Pregnancy Disability Leave (PDL).

(d) Reporting Procedures for Sick Leave. When the requirement for sick leave is known to the employee in advance of the absence (for example, including but not limited to scheduled medical, dental or vision appointments), the employee shall request authorization for such sick leave from the Department Head prior to such absence.

If an employee is not able to report due to illness or injury, the employee shall report as soon as possible to the appropriate supervisor, but in no case more than thirty (30) minutes after the start of the work day, except for extenuating circumstances prohibiting giving notice.

Failure to notify as soon as possible and in conforming to the thirty (30) minute notification shall be cause for disciplinary action as determined by the appointing authority.

(e) Verification Procedures

(1) Before being paid for the use of accrued sick leave, the employee shall submit a signed statement to the Department Head, on a prescribed form, stating the dates and hours of absence, the exact reason, and such other information as is necessary for the request to be evaluated. If an employee doesn't return to work prior to the preparation of the payroll, other arrangements may be made with the Department Head.

(2) Doctor's Certificate or Other Proof. ~~If an employee's illness results in an absence from work for more than three (3) consecutive days, a doctor's certificate or other reasonable proof of illness may be required.~~

The Director of Human Resources ~~may make such sick leave usage reviews and may require such additional documentation, including a physician's statement,~~ **may require a doctor's certificate or other reasonable proof of illness** as he/she deems necessary ~~before approving the sick leave benefit~~ **in order for an employee to receive an excused absence from work and sick leave pay. The employee shall be given notice prior to returning to work that he or she will be required to provide such documentation. Employees who have unscheduled absences due to illness on a scheduled work day preceding or following a holiday may be required to bring a doctor's certificate or other reasonable proof of illness in order to receive an excused absence and sick leave pay.**.

(3) If the City has a reasonable basis to believe that an employee is abusing the sick leave benefit, the City or the employee's supervisor must first meet with the employee to: 1) explain the reasonable basis for the believed abuse, and 2) discuss the reasons for the employee's absence. After such

meeting, and depending on the factual circumstances, the City may:

(a) Place the employee on restricted sick leave for a period of not more than four (4) months, under the direction of the Director of Human Resources pursuant to section (e)(2) above;

(b) Suspend the employee without pay for up to five (5) days for abuse of sick leave; or dismissal from employment if a prior suspension involved abuse of sick leave;

(c) Place the employee in an employee assistance program, if agreed to by the employee.

(f) Use of Sick Leave while on Vacation. An employee who is injured or who becomes ill while on vacation may be paid for sick leave in lieu of vacation provided that the employee:

(1) Was hospitalized during the period for which sick leave is claimed, or

(2) Received medical treatment or diagnosis and presents a statement indicating disabling illness or injury signed by a physician covering the period for which sick leave is claimed.

8.2 Payment for Unused Sick Leave

(a) Payment for Unused Sick Leave for Unit Employees ~~Hired on or Before July 31, 2011~~

~~Upon separation with ten (10) years or more of employment, or upon separation of employment by reason of death, service or disability retirement, the employee or the employee's estate will be paid 50% of~~

~~the total unused sick leave balance as of July 31, 2011 at its current cash value as of July 31, 2011. Any sick leave accrued on or after August 1, 2011, shall have no cash value. Unused sick leave that is not cashed out shall be used for service credit under the CalPERS contract.~~ **Effective February 17 2012, all sick leave shall have no cash value upon separation of employment and employees shall not be allowed to cash out unused sick leave. Employees shall be eligible for CalPERS service credit for unused sick leave at retirement based on the PERS contract provisions in effect at the time of their hire.**

(b) ~~Payment for Unused Sick Leave for Unit Employees Hired on or after August 1, 2011~~

~~(1) Employees covered by this Plan who have a City hire date on or after August 1, 2011 shall not receive any cash payout of any sick leave upon separation from City employment for any reason.~~

~~(2) Employees hired by the City are eligible to convert unused sick leave towards CalPERS service credit based on the PERS contract benefits in effect at the time of their hire by the City.~~

Section 9 Educational Incentive Pay

Effective August 1, 2011, the Educational Incentive Pay of 3% will be eliminated.

Section 10 Longevity Pay (Professional Growth Pay)

Effective August 1, 2011, all longevity pay shall be eliminated for all employees covered by this Plan. However, the City shall grandfather only those employees who have completed twelve (12) continuous years of service with the City as of August 1, 2011, and who are receiving a Longevity Pay of 2.5% as of that date. Employees as of August 1, 2011

receiving a higher Longevity Pay based on benefits received by another unit shall also be grandfathered but they shall have their current Longevity Pay reduced by 2.5% and then frozen at those levels at that time. As of July 1, 2012, longevity incentive pay allowance for these grandfathered employees shall be reduced to one and one-quarter percent (1.25%). Employees receiving a higher Longevity Pay based on benefits received by another unit shall have their remaining longevity reduced by one-half (1/2) effective July 1, 2012. As of June 30, 2013, longevity incentive pay allowance for these grandfathered employees shall be eliminated altogether.

Section 11 Other Leaves With Pay

11.1 Bereavement Leave. In the event of a death in the immediate family of an employee, he/she shall, upon request be granted up to three (3) days bereavement leave with pay without charge to his/her accumulated sick leave credits or vacation eligibility. The Department Head or his/her designee may grant an additional two (2) days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits in cases where extensive travel is required to attend the funeral. For the purposes of this paragraph, the immediate family shall be restricted to the employee's parents, current step parents, spouse, mother-in-law, father-in-law, child, stepchild, brother, sister, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandparent, grandchild, and registered domestic partner.

In the event of the death of a person not immediately related to an employee as defined above, the employee's department head may grant up to three (3) days bereavement leave upon request which shall be charged against the employee's accumulated sick leave credits.

11.2 Jury Duty Leave/Court Appearance. Upon approval by the department head, an employee, other than a provisional or temporary employee, shall be permitted authorized absence

from duty for appearance in court because of jury service, in obedience to subpoena or by direction of proper authority, in accordance with the following provisions:

Said absence from duty including necessary travel time, will be for actual hours served on jury duty or testifies as a witness in a criminal case, other than as a defendant. As a condition of receiving such pay, the employee must remit to the City, through the employee's department head, within fifteen (15) days after receipt, all fees received except those specifically allowed for mileage and expenses.

If an employee is not due to appear for jury duty or as a witness until an afternoon court session, the employee will be expected to work his usual morning schedule. If an employee is required to appear for a morning court session and is sent home before noon and not required to return in the afternoon, the employee will be expected to work his usual afternoon schedule.

Said absence from duty will be without pay when the employee appears in private litigation to which the City of Stockton is not a party.

Any fees allowed, except for reimbursement of expenses incurred, shall be remitted to the City through the employee's department.

Notwithstanding the foregoing, attendance in court in connection with an employee's official duties or in behalf of the City of Stockton in connection with a case in which the City of Stockton is not a party, together with travel time necessarily involved, shall not be considered absent from work within the meaning of this Section.

11.3 Military Leave. An employee of the City who is a member of the National Guard or Naval Militia or a member of Reserve Corps or

Force of the Federal Military, Naval or Marine Service and is ordered to duty shall be granted leave with pay while engaged therein, provided the leave does not exceed thirty (30) calendar days in any calendar year.

All regular employees in the service of the City shall be allowed leave of absence without pay for the duration of a national emergency who have been inducted into the Army, Navy, Marine Corps, Air Force or any other branch of the Military Service of the United States or the State of California. Said employees shall be reinstated in the service, except as hereinafter stated, providing they are physically fit as shown by a medical examination by the City Physician or other physician appointed to make a medical examination.

All probationary employees inducted into the Military Service not having served the minimum probationary period of six (6) months, shall be allowed leave of absence without pay for the duration of a national emergency, but said employees shall be placed at the head of the eligible list for such position in the order of their seniority of employment and when appointed to a vacant position, they must be physically fit as above specified and shall serve the balance of their probationary period before attaining the status of a regular employee.

Two or more regular employees granted military leave of absence without pay from the same position shall be reemployed according to their seniority of employment providing they are physically fit as above specified.

11.4 Management Time Leave. The Chief of Police, Deputy Chief of Police II, and Deputy Chief of Police I shall receive forty (40) hours of paid-management time-leave each fiscal year. The management time-leave of forty (40) hours may not carry over from fiscal year to fiscal year, be used for sell-back purposes, or

paid for any unused leave-time upon separation of City employment.

Section ~~11~~12 Workers' Compensation Leave

~~11.1~~**12.1** Workers' Compensation Leave

(a) Workers' Compensation Benefits shall be provided in accordance with State law and schedules whenever an employee is absent from duty because of disability caused by illness or injury arising out of and in the course of employment which has been declared to be compensable under the Workers' Compensation Law. Any salary continuation program benefits that are in addition to the State benefits that were in effect on July 31, 2011 shall be eliminated effective August 1, 2011.

(b) Forms and Procedures. Workers' compensation processing shall be consistent with City procedures and in accordance with state workers' compensation regulations. **An employee who sustains a work-related injury or illness shall immediately inform his/her supervisor no matter how minor an on-the-job injury may appear. An employee who sustains a work-related injury or illness is required to seek medical care at facilities designated by the City unless they have filed a pre-designation of personal physician prior to sustaining the work-related injury or illness. For a list of City designated medical care facilities and/or physicians, please contact Human Resources**.

Section ~~12~~13 Leave of Absence

~~12.1~~ **13.1** Leave of Absence

Employees shall not be entitled to leave of absence as a matter of right, but only in accordance with the provisions of law and the City of Stockton Municipal Code. Unless otherwise provided, the granting of

a leave of absence also grants to the employee the right to return to a position in the same classification or equivalent classification, as the employee held at the same time the leave was granted. The granting of any leave of absence shall be based on the presumption that the employee intends to return to work upon the expiration of the leave.

All approval authority over leaves of absence exercised by the Department Head under this Section shall be subject to review by the Director of Human Resources, whose ruling shall be final.

(a) Purpose and Length. Only employees occupying regular positions on a regular basis are eligible for leaves of absence without pay under the provisions of this Section.

An appointing authority may grant leave of absence without pay for personal reasons up to a maximum of twelve (12) months with approval of the Director of Human Resources.

Leaves of absence without pay on account of illness or injury, which are not job incurred, may be granted for a maximum period of twelve (12) months with approval of the Director of Human Resources.

Such a leave will be granted only after all accrued sick leave credits have been used and shall be substantiated by a physician's statement.

(b) Application for and Approval of Leave of Absence Without Pay.

In order to receive leave without pay, an employee must submit a request on the prescribed form to his/her Department Head and the Director of Human Resources describing the reasons for the request and all other information required for the Department Head or his/her representative, to evaluate the request. Leaves without pay may be cancelled by the department at any time.

(c) Employees on authorized leaves of absence without pay shall not be entitled to payment by the City of the premiums for their health and dental insurance, except as provided hereinafter.

The entitlement to City payment of premium shall end on the last day of the month in which the employee was paid except that employees on an authorized leave of absence may continue enrollment in the City health and dental insurance plan by prepayment of the full monthly premium during the authorized leave of absence.

Authorized absence without pay which exceeds thirty (30) consecutive calendar days, except military leave, shall not be included in determining salary adjustment rights, based on length of employment. Periods of time during which an employee is required to be absent from his/her position by reason of any injury or disease for which he/she is entitled to and currently receiving Workers' Compensation benefits shall be included in computing length of service for the purpose of determining that employee's salary adjustment.

~~12.2~~ **13.2** Absence Without Official Leave (AWOL)

(a) Failure to Report to Duty or Failure to Return After Leave. Failure to report for duty or failure to report for duty after a leave of absence request has been disapproved, revoked, or cancelled or at the expiration for a leave shall be considered an absence without official leave and the employee shall be subject to discipline.

(b) Voluntary Resignation. Any employee without official leave for two (2) or more consecutive days or absent an aggregate of sixteen (16) hours in any calendar month without a satisfactory explanation shall be deemed to have voluntarily resigned from

the City of Stockton, except if the absence is due to a verified illness or injury.

Section ~~13~~ Salary Plan

~~13.1~~ **14.1** Wage Increases

Effective July 1, 2011, no salary increases for fiscal years ~~2011/12~~ **2012-2013 and 2013-2014**.

~~13.2~~ **14.2** Salary Step when Salary Range is Increased

Whenever the monthly schedule of compensation for a class is revised, each incumbent in a position to which the revised schedule applies shall be entitled to the step in the revised range which corresponds to the employee's step held in the previous range, unless otherwise specifically provided by the Director of Human Resources.

~~13.3~~ **14.3** Salary Step after Promotion or Demotion

When an employee is promoted from a position in one rank to a position in a higher rank and at the time of promotion is receiving a base salary equal to, or greater than, the minimum base step rate for the higher rank, that employee shall be entitled to a step in the range of the higher rank which is at least five percent (5%) above the rate the employee has been receiving, except that the next step shall not exceed the maximum salary of the higher rank. When an employee is demoted, whether such demotion is voluntary or otherwise, that employee's compensation shall be adjusted to the salary prescribed for the class to which demoted.

~~13.4~~ **14.4** Acting Pay

An employee who is assigned in writing to work in a higher paid classification and who performs a majority of the duties of that higher

position after five (5) days shall receive the rate of pay in a step of the higher classification which would have been received if the employee had been promoted into that classification.

The increased rate of pay will commence with the first day of the assignment; however, to qualify the employee must meet the above conditions before being eligible for Acting Pay.

~~13.5~~ **14.5** Pay Equity Adjustments

The City recognizes that there may be a need for special salary adjustments for selected classifications as a result of recruitment problems, reclassifications, and/or organizational changes. The City, in its sole discretion, may make such adjustments.

~~13.6~~ **14.6** Special Assignment Pay

The Department Head and the concurrence of the Director of Human Resources may approve additional compensation in an amount not to exceed one additional salary step when an employee is assigned to perform additional duties and responsibilities for the duration of the special assignment.

~~13.7~~ **14.7** Salary Step after Military Leave

All employees who have been granted military leave shall, upon their return to City service, are entitled to the automatic salary advancements within the range scale of the established wage schedule of their classifications for the period they were in the military service.

14.8 Uniform Allowance

Employees required to wear uniforms shall be paid an annual uniform allowance, one-half payable in April and one-half

payable in October each year. Employees in the following classifications receive the following annual uniform allowance:

- Chief of Police - $950.00
- Deputy Chief of Police II - $950.00
- Deputy Chief of Police I - $950.00
- Fire Chief - $625.00
- Deputy Fire Chief II - $625.00
- Deputy Fire Chief I - $625.00

14.9 Certificate Incentive Pay

(a) The City shall pay six percent (6.0%) of the top step in rank for employees who attain a P.O.S.T. Supervisory Certificate.

(b) The City shall pay an additional three percent (3.0%) for a total of nine percent (9%) of top salary step in rank for employees who attain a P.O.S.T. Management certificate or higher, upon completion of two (2) continuous years of service in rank and upon completion of management course.

Section ~~14~~ 15 Work Furloughs

~~14.1~~ **15.1** Work Furloughs

(a) 96 Furlough Hours in Fiscal Years ~~2011-2012~~ **2012-2013 and 2013-2014**. Each unit employee shall take ninety-six (96) furlough hours (leave from work without pay).

(b) Equalized Payroll Deductions. Payroll deductions for the ninety six (96) furlough hours described in section 14.1, paragraph (a) above, shall be equalized so that each unit employee shall have four (4) hours at the employee's regular hourly rate of pay deducted from each of the twenty four (24) pay warrants of each fiscal year.

(c) Furlough days off shall be set by the City ~~and shall be in the same manner as for Fiscal Year 2010-11~~ as designated in the City Office Business Calendar as attached. Furlough days shall be considered time worked for the purposes of overtime.

(d) If a furlough is scheduled before or after a City holiday, the employee will, nevertheless, be eligible for holiday pay.

(e) Separation from City Service before June 30, 201**3** ~~2~~. Any employee who separates from City service before the final four (4) hour furlough deduction on July 7, 201**3** ~~2~~, for the pay period ending June 30, 201**3** ~~2~~, and after having used furlough hours, shall have his or her final compensation reduced by the sum of the number of furlough hours the employee has actually used minus the number of furlough hours actually deducted from the employee's pay warrants multiplied by the employee's regular hourly rate of pay. **Conversely, any employee who separates from City service before June 30, 2013, having suffered furlough deductions in excess of the actual number of furlough hours the employee has used, shall have his or her final compensation credited by like amount.**

Section ~~15~~ 16 Work Schedule

~~15.1~~ **16.1** MA, MV, EP, and PP employees shall not be eligible for overtime for extra hours worked to perform duties of their assigned position.

~~15.2~~ **16.2** Department Heads are responsible for personally approving any overtime pay for MW and SP employees within their respective departments, with a report submitted to the City Manager at the end of each pay period explaining the overtime.

~~15.3~~ **16.3 Overtime**
Non-exempt employees will receive overtime at the appropriate rate when authorized in writing by the Department Head prior to

the overtime worked. The following provisions pertaining to authorized statutorily required overtime work shall apply to non FLSA exempt employees whose normal work period is eight (8) hours per day and forty (40) hours per week, or ten (10) hours per day and forty (40) hours per week:

(a) Statutory overtime shall be paid on actual time worked in excess of forty (40) hours in any workweek. Such overtime shall be paid for at time and one-half (1-1/2) including employees employed on a per hour or per day basis or except as provided elsewhere herein. Furlough hours shall be considered as actual time. Sick leave, vacation, holiday, or other time taken as compensated time off shall not be considered as actual time worked.

(b) Employees assigned to an alternate work schedule (e.g. 4/10, 9/80, etc.) shall be compensated at the overtime rate for all time worked in excess of their regularly scheduled hours.

16.4 Compensatory Time Off (CTO)

(a) Definition. As used in this Section, the term Compensatory Time Off (CTO) refers to that time which an employee is entitles to be absent from duty with pay for hours worked in addition to or excess of their normal work schedule. For the purpose of this Section, Compensatory Time shall apply only to Non-Exempt employees.

(b) CTO in Lieu of Overtime Compensation. Employees may voluntarily elect to receive overtime compensation in the form of CTO at the rate of one and one-half (1-1/2) hours of CTO for each hour of overtime worked in excess of forty (40) hours in a seven (7) day work period for which the employee is in a paid status.

(c) APPENDIX A

OVERVIEW OF THE CITY OF STOCKTON'S MODIFIED MEDICAL PLAN AS OF SEPTEMBER 1, 2011

The following is an overview of the City's Modified Medical Plan provided to eligible active and retired Employees and their eligible Family Members. Since this is only a summary of the benefits, you should refer to the full Summary Plan Description for a more complete description of Plan benefits, limitations and exclusions.

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	**When Provided by a Non-Participating Provider**
Calendar year deductible *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the deductible)*	$500 per person; $1,500 maximum per family	$1,500 per person; $3,000 maximum per family
Calendar year out-of-pocket maximum on Allowable Charges *(only Allowable Charges for Covered Services in Article 3 of this document can be applied toward the out-of-pocket maximum))*	$5,000 per person; $10,000 maximum per family	None
Overall lifetime maximum benefit	None	None
Hospital		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per admission	50% of Allowable Charges after a copayment of $200 per admission
Outpatient department	80% of Allowable Charges	50% of Allowable Charges
Emergency room	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	When Provided by a Non-Participating Provider
	Emergency did not exist (refer to Article 1 for the Plan's definition of Emergency)	Emergency did not exist (refer to Article 1 for the Plan's definition of Emergency)
Skilled Nursing Facility	80% of Allowable Charges after a copayment of $75 per admission	50% of Allowable Charges after a copayment of $200 per admission
Outpatient therapy *(physical, respiratory, cardiac & speech)*	80% of Allowable Charges	50% of Allowable Charges
Home health care	80% of Allowable Charges	Not covered
Hospice care	80% of Allowable Charges	Not covered
Mental or nervous disorder		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per admission	50% of Allowable Charges after a copayment of $200 per admission
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Substance abuse treatment		
Inpatient confinement	80% of Allowable Charges after a copayment of $75 per admission	50% of Allowable Charges after a copayment of $200 per admission
Outpatient services	80% of Allowable Charges	50% of Allowable Charges
Outpatient diagnostic radiology & laboratory	80% of Allowable Charges	50% of Allowable Charges
Radiation therapy, chemotherapy & dialysis treatment	80% of Allowable Charges	50% of Allowable Charges
Physician services		
Office & hospital visits	80% of Allowable Charges	50% of Allowable Charges
Emergency room care	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist	80% of Allowable Charges; 50% of Allowable Charges if it is determined that an Emergency did not exist

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	**When Provided by a Non-Participating Provider**
	(refer to Article 1 for the Plan's definition of Emergency)	(refer to Article 1 for the Plan's definition of Emergency)
Surgery	80% of Allowable Charges	50% of Allowable Charges
Anesthesia and its administration	80% of Allowable Charges	50% of Allowable Charges
Preventive Care *(physical exam, screenings, tests & immunizations as recommended by certain government agencies – refer to the definition of Preventive Care Services in Article 1)*	Not subject to the calendar year deductible; 100% of Allowable Charges	Calendar year deductible applies; 50% of Allowable Charges
Dental treatment	Not covered except 80% of Allowable Charges for treatment of Accidental Injury to natural teeth	Not covered except for 50% of Allowable Charges for treatment of Accidental Injury to natural teeth
Chiropractic services	80% of Allowable Charges	50% of Allowable Charges
Pregnancy & childbirth *(dependent children are not covered by this benefit)*	Covered on the same basis as an illness	Covered on the same basis as an illness
Infertility	80% of Allowable Charges	50% of Allowable Charges
Organ & tissue transplants	Payable on the same basis as any other illness	Payable on the same basis as any other illness
Ambulance service	80% of Allowable Charges	50% of Allowable Charges
Prosthetics & orthotics	80% of Allowable Charges	50% of Allowable Charges
Durable medical equipment	80% of Allowable Charges	50% of Allowable Charges
Hearing aids	80% of Allowable Charges; maximum benefit of $6,000 per lifetime	80% of Allowable Charges; maximum benefit of $6,000 per lifetime
Prescription Drug Program	**When Dispensed at a**	**When Dispensed at a Non-**

Plan Feature	Coverage Amount	
	When Provided by a Participating Provider	When Provided by a Non-Participating Provider
(no calendar year deductible applies)	**Participating Pharmacy**	**Participating Pharmacy**
Retail pharmacy *(30 day supply limit)*	$10 copayment for a generic drug; $35 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered
Mail service pharmacy *(90 day supply limit)* Mandatory Mail Order for Maintenance Medications	$20 copayment for a generic drug; $70 copayment for a non-generic formulary drug; no coverage for non-formulary drugs	Not covered