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9 UNITED STATES BANKRUPTCY COURT
 10 EASTERN DISTRICT OF CALIFORNIA
 11 SACRAMENTO DIVISION
 12

13 In re:
 14 CITY OF STOCKTON, CALIFORNIA,
 15 Debtor.

Case No. 2012-32118
 D.C. No. OHS-15
 Chapter 9

**DECLARATION OF VANESSA
 BURKE IN SUPPORT OF CITY'S
 SUPPLEMENTAL MEMORANDUM
 OF LAW IN SUPPORT OF
 CONFIRMATION OF FIRST
 AMENDED PLAN FOR THE
 ADJUSTMENT OF DEBTS OF CITY
 OF STOCKTON, CALIFORNIA
 (NOVEMBER 15, 2013)¹**

Date: May 12, 2014
 Time: 9:30 a.m.
 Dept: Courtroom 35
 Judge: Hon. Christopher M. Klein

26 ¹ Paragraph 13 of the Order Modifying Order Governing The Disclosure And Use Of Discovery Information And
 27 Scheduling Dates Related To The Trial In The Adversary Proceeding And Any Evidentiary Hearing Regarding
 28 Confirmation Of Proposed Plan Of Adjustment (Dkt. No. 1242, modifying Dkt. No. 1224) contemplates that the
 Parties will submit direct testimony declarations for their respective witnesses by April 21, 2014. Accordingly, the
 declarations submitted in support of this Supplemental Memorandum do not contain all of the information and do not
 attach all of the evidence that will be included in the direct testimony declarations that will be filed on April 21.

1 I, Vanessa Burke, hereby declare:

2 1. I am the Chief Financial Officer, Treasurer, and Director of the Administrative
3 Services Department (the “Department”) for the City of Stockton, California (“the City” or
4 “Stockton”). I make this declaration in support of the City’s Supplemental Memorandum Of Law
5 In Support Of Confirmation Of First Amended Plan For The Adjustment Of Debts Of City Of
6 Stockton, California (November 15, 2013). In my role as Chief Financial Officer, Treasurer, and
7 Director of the Department, my responsibilities include, among other things, management of the
8 City’s finance, budget, revenue, treasury, and information technology functions. I was previously
9 the Assistant Director of Administrative Service, where my responsibilities included developing
10 and administering the Department’s budget, conducting financial analyses, preparing a variety of
11 reports relating to department and City-wide financial activities, and attending City Council
12 meetings and committee meetings to provide information regarding the Department’s budget and
13 other financial matters.

14 *The City’s Public Facility Fee Funds*

15 2. In accordance with generally accepted accounting principles (GAAP), AB 1600,
16 and additional guidance published by the League of California Cities applicable to municipalities,
17 the City accounts for each public facility fee (“PFFs”)² collected in dedicated restricted funds
18 (“PFF Funds”) by fee category. In the City’s Chart of Accounts, separate PFF Funds for each
19 category of PFF fee is established as follows: Traffic Signal Impact (Funds 900 -904), Street
20 Improvement Impact (Fund 910), Regional Transportation Impact-Traffic (Fund 917),
21 Community Recreation Center Impact (Fund 920), City Office Space Impact (Fund 930), Fire
22 Station Impact (Fund 940), Library Impact (Fund 950), Police Station Impact (Fund 960),
23 Parkland Impact (Fund 970), Street Tree and Sign Impact (Funds 978 & 979), Street Light In
24 Lieu (Funds 908-985), Air Quality Mitigation Impact (Fund 990), Administrative Fees (Fund
25 999), Water Connection (Fund 424), Wastewater Connection (Fund 434), Delta Water Surface
26 Fee (Fund 425) , and Agricultural Land Mitigation Fee (Fund 687). These funds are considered

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28 ² Capitalized terms used but not defined herein have the meaning ascribed to them in the First Amended Plan for the Adjustment of Debts of City of Stockton, California (November 15, 2013) [Dkt. No. 1204].

1 by the City to be capital projects funds under GAAP; the Agricultural Land Mitigation Fee is
2 being held by the City in a Trust Fund.

3 3. The City's PFF revenues have decreased precipitously in the past several years as
4 a result of the impact from the Great Recession, decline in new housing starts, decline in overall
5 development, and the overall national economic downturn. The diminished collection of PFF
6 fees reflect this sad reality. Since fiscal year 2006-07, revenues from PFF fees (excluding utility
7 connection fees, surface water fees and land mitigation fees) have declined as follows:

Fiscal Year	PFF Revenue (In Thousands)	% Increase/(Decrease)
2006-07	\$24,687	
2007-08	\$27,686	12.1%
2008-09	\$8,087	(70.8%)
2009-10	\$6,752	(16.5%)
2010-11	\$4,960	(26.5%)
2011-12	\$3,153	(36.4%)
2012-13	\$2,313	(26.6%)
2013-14 est	\$2,261	(2.2%)

19
20 As this chart shows, 2007-08 was the last good year for the City's PFF collections.

21 4. As of June 30, 2013, the PFFs contained an aggregate \$34.4 million in cash. Most,
22 if not all, of this money is committed to the development of future infrastructure projects.
23 Available fund balances total approximately \$4.9 million. However, given the relative trickle of
24 PFF collections, the City has only a fraction of the funds it needs for required overall
25 infrastructure improvements. According to a study completed by Economic & Planning Systems,
26 Inc. in 2013, based on the City's current general plan, entitlements, houses committed, and other
27 factors, the City's infrastructure needs over the next 25 years amount to over \$400 million. *See*
28 Exhibit A to the Declaration of Stephen Chase In Support Of City's Supplemental Memorandum

1 Of Law In Support Of Confirmation Of First Amended Plan For The Adjustment Of Debts Of
2 City Of Stockton, California (November 15, 2013), at p. 85. Without sufficient revenues being
3 collected to fund the infrastructure, and given the City's inability to issue new debt without a
4 special revenue pledge, the City is currently undertaking a comprehensive review of its general
5 plan, general plan elements, development needs, developer agreements, and conducting rate
6 studies to address the shortfall in its infrastructure needs.

7 *The City Is Paying Its Current Debts As They Become Due*

8 5. The City incurs operating debts every day. These debts include but are not limited
9 to, payroll, payments to vendors that provide everything from supplies to electricity to garbage
10 collection, construction commitments for large public works projects, payments for the City's
11 own utility usage to keep the lights on, water purchases, and debt payments that are outside of the
12 bankruptcy that are a specific pledge of revenues. These debts are the necessary costs of
13 operating and running a city.

14 6. To the best of its knowledge, the City is paying all of its post-petition debts as they
15 become due. If it did not, the City would no longer be able to operate. If the City did not meet its
16 payroll obligations as they become due, for example, City employees would likely cease coming
17 to work. If the City did not pay its vendors, they would no longer do business with the City. In
18 sum, if the City were not to pay its current bills as they became due, it would be unable to provide
19 basic services to the residents of Stockton. Franklin's allegation that the City's payment of such
20 debts unfairly discriminates against Franklin reflects a fundamental misunderstanding of the
21 City's function. Contrary to what Franklin may believe, the City is not run for Franklin's benefit.
22 It is run for the benefit of its citizens.

23 7. To the extent that any administrative claims arise in the bankruptcy case, the City
24 will pay them.

25 *The City Will Continue To Collect Revenues After The Effective Date*

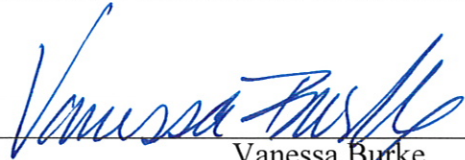
26 8. The City will continue to collect sales tax revenues, real property tax revenues,
27 user utility tax revenues, and other taxes, fees, and revenues following the Effective Date. These
28 revenues will enable the City to maintain and fund adequate municipal services, including fire

1 and police protection, as well as to satisfy the City’s obligations to its creditors as restructured
2 pursuant to the Plan. As explained in the Robert Leland declaration being submitted
3 concurrently, the projections of these revenues in the City’s detailed long-range financial are
4 sufficient to meet these demands.

5 Nature Of General Liability Claims

6 9. Many of the proofs of claim filed against the City in the bankruptcy case are
7 General Liability Claims. Each General Liability Claim potentially consists of two portions. The
8 first is the self-insurance retention portion, or SIR Claim Portion. This portion, which represents
9 the first \$1 million of the Claim, is an obligation of the City that will be paid from the City’s Risk
10 Management Internal Service Fund. This portion of each General Liability Claim will receive the
11 Unsecured Claim Payout Percentage under the Plan. The other potential portion of each General
12 Liability Claim—the Insured Portion—is any amount that is reduced to judgment or later settled
13 in an amount of above \$1 million, which will be paid by one or more of the excess risk-sharing
14 pools of which the City is a member. This portion of each General Liability Claim is not
15 impaired under the Plan. Each General Liability Claim will thus potentially receive a blended
16 recovery: approximately 1% for the first \$1 million, and presumably 100% for all amounts over
17 \$1 million.

18
19 Executed this 31st day of March 2014, at Stockton, California. I declare under penalty of
20 perjury under the laws of the State of California and the United States of America that the
21 foregoing is true and correct.

22
23 
24 _____
25 Vanessa Burke