



## **CITY OF STOCKTON NEWS RELEASE**

**FOR IMMEDIATE RELEASE:**  
Tuesday, June 5, 2012

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### **CONTINGENCY PLAN AUTHORIZATION APPROVED**

(Stockton, CA) - On Tuesday, June 5, 2012, the Stockton City Council approved a resolution, 6 – 1, 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 prevent insolvency for Fiscal Year 2012-13 and meet the City Councils' objective of fiscal sustainability.

The City's fiscal situation is dire. The City and its largest creditors have been engaged in confidential mediation that began in March 27, 2012. The mediation allows the City to work with creditors to restructure debt and agreements under a process determined by state legislation which became effective January 1, 2012, AB 506. The legislation provides for a 60-day period of negotiations with an option to extend for an additional 30 days. The City and most mediation participants recently extended the mediation period through June 25, 2012.

"We remain hopeful that we can avoid insolvency through the mediation process,"

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said Mayor Ann Johnston. “We have hit the wall; we are insolvent. This is the action that we must take to keep the services that are important for the safety and health of our citizens. We have to prepare. We cannot wait to act. We have to do what is best for the citizens.”

The state constitution requires cities to adopt a balanced budget by July 1 of each year. The majority of the City’s budget is not impacted by the City’s fiscal crisis. The total budget of \$521 million includes \$366 million in restricted funds, which cannot be used to resolve the General Fund crisis. The \$155 million General Fund provides for services such as police, fire, libraries, parks maintenance and administrative functions. This funding comes from property tax, sales tax, utility users tax, business license tax and other sources, all of which have experienced significant declines for the past four years.

The City Council has addressed \$90 million in deficits over the last 3 years and is faced with a \$26 million deficit in the fiscal year that begins July 1, 2012. The citizens of Stockton have experienced significant service reductions and employees have experienced major reductions in compensation. The budget gaps have been too large to address with more reductions without threatening essential services and endangering the health and safety of the community. From a service and budget basis, the City is insolvent and faces cash insolvency by the end of the fiscal year.

The contingency plan will allow the City to continue to operate, should the City be faced with insolvency by the end of the fiscal year, which is June 30, 2012. The plan allows

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the City to provide day-to-day services until a long-term plan of adjustment can be negotiated and approved, should bankruptcy protection become necessary.

“It’s time to stop the chaos and the degradation of this organization and fix the structural imbalance,” said City Manager Bob Deis. “We have to start the road to recovery.”

Additional information is available on the City of Stockton web site at [www.stocktongov.com](http://www.stocktongov.com), view City Council Meetings Online, item 15.01 on the Tuesday, June 5, 2012, City Council Agenda.

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All News Releases can be found on the City of Stockton website. [www.stocktongov.com/news](http://www.stocktongov.com/news)

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