STOCKTON CITY COUNCIL ADOPTS PENDENCY PLAN

(Stockton, CA) - On Tuesday, June 26, 2012, the Stockton City Council approved a Pendency Plan proposed by the City Manager, 6 -1. The Pendency Plan is essentially the budget and the plan that is followed for the day-to-day operations of the City while in bankruptcy. It identifies what expenditures will be reduced or suspended. The City will continue to pay employees, vendors and service providers. The focus of the City’s plan is the restructuring of above market pay and benefits and unsustainable long term debt. Adoption of the Pendency Plan assumes the City will file for protection under chapter 9 federal bankruptcy laws before July 1, 2012.

The overall proposed expenditure plan was originally presented on May 15, 2012, and amounted to $521 million for all funds; the General Fund, which is $155 million of the total budget, has a $26 million deficit. The General Fund was to be balanced by either deep service reductions, reductions in financial obligations through the AB 506 confidential mediation process, or by filing for chapter 9 bankruptcy protection.

-more-more-more-
The City Council has addressed $90 million in budget deficits over the last three fiscal years, primarily through reduction in employee compensation and program and service reductions. The City is already insolvent on a service basis and continued service reductions would harm the health and safety of its citizens.

The City and its largest creditors engaged in confidential mediation for three (3) months. The mediation allowed the City to work with its largest creditors in an attempt to restructure debt and agreements through a process established by state legislation under 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 extended the mediation period through June 25. The mediation concluded without obtaining a comprehensive set of agreements sufficient to close the budget gap of $26 million. The City is fiscally insolvent and must seek chapter 9 bankruptcy protection. In addition to the bankruptcy petition, the City will file a motion with the courts to share information from the confidential mediation process.

“This is the most difficult and heart-wrenching decision that we have ever been faced with,” said Mayor Ann Johnston. “We must take this action to protect the health, safety and welfare of the entire City and begin the recovery process.”

The Pendency Plan includes no measurable service reductions. The Pendency Plan includes; suspending payment of bonds, claims and long term debt paid by the General Fund; shifting some funds to other sources; modifications to terms of labor and employee -more-more-more-
agreements that reduce costs; more employee salary and benefit reductions, including reduction and ultimately elimination of City contributions to retiree medical insurance.

“We appreciate all those who have worked hard to help us address this crisis,” said City Manager Bob Deis. “While we did not meet our financial goals through the mediation process, we hope that what we did achieve will help us to exit from bankruptcy quickly. We are still negotiating with some creditors. We will honor tentative agreements reached during the additional negotiations, and we will continue to talk with our creditors.”

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 user’s tax, business license tax and other sources, all of which have experienced significant declines for the past four years.

“Like corporations, such as American Airlines and General Motors, that have or are going through bankruptcy, we will continue to operate and provide services,” continued Deis. “We will use this opportunity to restructure and come out of bankruptcy with a stronger, healthier and sustainable future.”

###

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