



CITY OF STOCKTON NEWS RELEASE

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Contact: Connie Cochran
Public Information Officer
(209) 937-8827
connie.cochran@stocktongov.com

Council Approves First Agreement with Capital Markets Creditor *City and Ambac Reach Agreement*

(Stockton, CA) - The Stockton City Council announced approval of the first agreement reached with one of the City's capital market creditors while in bankruptcy, Ambac Assurance Corporation.

"After several months of confidential negotiations, we have reached a mutually beneficial agreement that addresses \$21.6 million in debt payments and provides both near term General Fund relief and predictability and will serve as an important step to enabling the City to emerge from bankruptcy and reach fiscal sustainability," said City Manager Bob Deis.

The agreement with Ambac places a cap on the amount of money that could be paid each year out of the City's General Fund, provides for use of the reserve fund to pay some of the debt obligation and, if necessary, extends the term of repayment. This will give the City's General Fund relief when it needs it the most, while providing for a fair repayment

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mechanism for Ambac over time. Most importantly, it allows the City to maintain control of essential public safety and community resources that were pledged as security for payment on the certificates, such as the police station, fire stations and a library.

“Without the agreement, the City’s General Fund could be responsible for almost \$1 million each year,” continued Mr. Deis. “The City greatly appreciates Ambac’s willingness to work with us toward a mutually acceptable agreement. Rather than responding with an unreasonable and expensive, litigation-intense strategy, as some creditors have done, Ambac diligently worked with the City to achieve a consensual resolution. The result is a restructuring outcome that helps the City regain fiscal sustainability while meeting Ambac’s business needs, and avoiding hundreds of thousands of dollars in potential litigation expenses for both sides. This agreement is an example of what can be accomplished during the City’s bankruptcy with creditors who are willing to engage in meaningful negotiation.”

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Ambac Assurance Corporation is the insurer for Certificates of Participation that were issued by the City in 2003 to finance affordable housing projects within the city, including the Hotel Stockton, Gleason Park and Fremont Park. This lease financing is typically referred to as the 2003 COPS. While this financial obligation was entered into by the Redevelopment Agency, the City agreed to “backstop” the financing from other eligible funding sources such as the General Fund. In addition, the State dissolved Redevelopment in February 2012 and the City became the Successor Agency that is ultimately responsible for managing the obligations of the former Redevelopment Agency.

With the foreclosure crisis, real estate prices have plummeted, along with Redevelopment tax increment revenues, which were counted on to pay for these obligations. The City’s General Fund, which is at the core of the bankruptcy crisis, is responsible for making up for the difference. The General Fund pays for the operational expenses of the City, including public safety, police and fire.

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