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1 MARC A. LEVINSON (STATE BAR NO. 57613)  
malevinson@orrick.com  
2 NORMAN C. HILE (STATE BAR NO. 57299)  
nhile@orrick.com  
3 JOHN W. KILLEEN (STATE BAR NO. 258395)  
jkilleen@orrick.com  
4 ORRICK, HERRINGTON & SUTCLIFFE LLP  
400 Capitol Mall, Suite 3000  
5 Sacramento, California 95814-4497  
Telephone: (916) 447-9200  
6 Facsimile: (916) 329-4900

7 Attorneys for Debtor  
City of Stockton  
8

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-1  
Chapter 9

16 **EXHIBIT R TO THE DECLARATION**  
17 **OF LAURIE MONTES IN SUPPORT**  
18 **OF CITY OF STOCKTON'S**  
19 **STATEMENT OF QUALIFICATIONS**  
20 **UNDER SECTION 109(C) OF THE**  
21 **UNITED STATES BANKRUPTCY**  
22 **CODE**

23 Date: TBD  
24 Time: TBD  
25 Dept: TBD  
26 Judge: TBD  
27  
28

RESOLUTION NO. 2012-02-28-1502-01

**STOCKTON CITY COUNCIL**

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**RESOLUTION DECLARING THE CONTINUATION OF A FISCAL EMERGENCY**

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") can use to attempt to reach a mediated and negotiated resolution of their disputes in order to avoid a filing by the City pursuant to Chapter 9 of the United States Bankruptcy Code; and

The Council has determined that it is in the best interest of the City, its citizens, employees, creditors, and Interested Parties to promptly commence a confidential neutral evaluation process pursuant to the Act; and

The Council desires to designate the City Manager as the City's official representative for such process, and to delegate to the City Manager and his delegates the power to negotiate on the City's behalf with those Interested Parties who 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 has received a Financial Assessment Report from Management Partners concerning the City's financial condition, which report makes certain recommendations consistent with the provisions of this Resolution; and

The City must take immediate steps to preserve cash liquidity in the City's general fund in order to enable the City to continue to operate through the balance of Fiscal Year 2011-12; and

The Council desires to direct the City Manager to take specific steps to preserve cash liquidity and to ratify certain action already taken by the City Manager under emergency authority granted by this Council; and

In order to finalize the City's financial statements for Fiscal Year 2010-11, certain adjustments must be made and the Council desires to direct staff to make such adjustments; and

In order to maintain budget balance for the remainder of Fiscal Year 2011-12, certain mid-year budget adjustments must be made and certain findings must be made

CITY ATTY  
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with respect to the City's previously declared Fiscal emergency and the Council desires to make such adjustments and findings; and

The Council has received a detailed report from Management Partners which concludes that the City is in dire financial condition and must take immediate steps to attempt to resolve its financial crises and put it on a firm financial footing going forward; and

The causes of this financial crises may include wrongful, unauthorized, or illegal acts and the Council desires to direct the City Manager and City Attorney to undertake an investigation to determine if the City has legal recourse against any party in connection with such acts; and

The City desires to enter into a new contract with Management Partners in order to assist it in implementing the steps provided for in this Resolution; 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 May 17, 2011, the City Council adopted Resolution #11-0113 and Resolution #11-0114 declaring that the City was experiencing an ongoing fiscal emergency. That declaration is still in effect and continues today. That emergency declaration resolution gives the City Manager authority to take further emergency actions to preserve the City's ability to provide essential services to the citizens of Stockton in order to safeguard public health and safety.

(b) In Resolution #11-0113 and Resolution #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 #11-0113 and Resolution #11-0114.

(c) The City is dangerously low on available cash resources necessary for current operations, including the operation of the City's police and fire departments, which are funded almost entirely from unrestricted general fund revenues.

(d) The ability of the City to continue funding basic public safety services during the pendency of this condition of fiscal emergency is of paramount importance to the citizens of Stockton.

(e) City employees have, through valued and continuous service, accumulated leave balances in the form of both sick leave and vacation and these balances represent a significant unfunded general fund obligation.

(f) It is anticipated that due to the current financial position of the City certain employees (some with very large leave balances that may be converted to cash upon separation) will choose to immediately separate from City service, and that these employee separations will cause extreme pressure on the City's greatly depleted unrestricted cash resources.

(g) The City currently does not have sufficient unrestricted cash resources available to both maintain necessary levels of public safety-related services and immediately pay separating employees for accumulated leave balances without an unacceptable risk of depleting available cash resources to the point that public safety services may be put in jeopardy.

(h) While any risk to the City's ongoing ability to provide necessary public safety services to its citizens is a grave concern, the current level of crime in Stockton makes this risk one that this Council is unwilling to incur. To place at greater risk the safety of the community in this time of greatest need would be an unconscionable dereliction of this Council's most basic obligation to its citizens.

(i) It is necessary at this time to immediately delay the further payment of all leave balances to separating employees until such time as there are sufficient unrestricted cash resources available to the City to allow for the payment of such leave balances while ensuring the City will have adequate resources remaining to fund basic services.

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Section 2. 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.

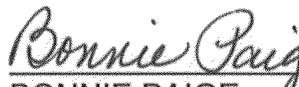
Section 3. Effectiveness. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED February 28, 2012.

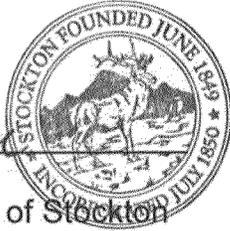


ANN JOHNSTON  
Mayor of the City of Stockton

ATTEST:



BONNIE PAIGE  
City Clerk of the City of Stockton



RESOLUTION NO. 2012-02-28-1502-02

**STOCKTON CITY COUNCIL**

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**RESOLUTION ACCEPTING THE REPORT PREPARED BY MANAGEMENT PARTNERS OF THE CITY OF STOCKTON'S FINANCIAL CONDITION**

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") can use to attempt to reach a mediated and negotiated resolution of their disputes in order to avoid a filing by the City pursuant to chapter 9 of the United States Bankruptcy Code; and

The Council has determined that it is in the best interest of the City, its citizens, employees, creditors and Interested Parties to promptly commence a confidential neutral evaluation process pursuant to the Act; and

The Council desires to designate the City Manager as the City's official representative for such process, and to delegate to the City Manager and his delegates the power to negotiate on the City's behalf with those Interested Parties who 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 has received a Financial Assessment Report from Management Partners concerning the city's financial condition which report makes certain recommendations consistent with the provisions of this Resolution; and

The City must take immediate steps to preserve cash liquidity in the City's general fund in order to enable the City to continue to operate through the balance of Fiscal Year 2011-12; and

The Council desires to direct the City Manager to take specific steps to preserve cash liquidity and to ratify certain action already taken by the City Manager under emergency authority granted by this Council; and

In order to finalize the City's financial statements for Fiscal year 2010-11, certain adjustments must be made and the Council desires to direct staff to make such adjustments; and

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In order to maintain budget balance for the remainder of Fiscal year 2011-12 certain mid-year budget adjustments must be made and certain findings must be made with respect to the City's previously declared Fiscal emergency and the Council desires to make such adjustments and findings; and

The Council has received a detailed report from Management Partners which concludes that the City is in dire financial condition and must take immediate steps to attempt to resolve its financial crises and put it on a firm financial footing going forward; and

The causes of this financial crises may include wrongful, unauthorized or illegal acts and the Council desires to direct the City Manager and City Attorney to undertake an investigation to determine if the City has legal recourse against any party in connection with such acts; and

The City desires to enter into a new contract with Management Partners in order to assist it in implementing the steps provided for in this Resolution; 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 May 17, 2011, the City Council adopted Resolutions #11-0113 and #11-0114 declaring that the City of Stockton was experiencing an ongoing fiscal emergency. That declaration is still in effect and continues today. That emergency declaration resolution gives the City Manager authority to take further emergency actions to preserve the City's ability to provide essential service to the citizens of Stockton in order to safeguard public health and safety.

(b) In Resolutions 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 Resolutions 11-0113 and 11-0114.

(c) The City is dangerously low on available cash resources necessary for current operations, including the operation of the City's police and fire departments, which are funded almost entirely from unrestricted general fund revenues.

(d) The ability of the City to continue funding basic public safety services during the pendency of this condition of fiscal emergency is of paramount importance to the citizens of Stockton.

(e) City employees have, through valued and continuous service, accumulated leave balances in the form of both sick leave and vacation and these balances represent a significant unfunded general fund obligation.

(f) It is anticipated that due to the current financial position of the City certain employees, some with very large leave balances that they will seek to convert to cash upon separation, will chose to immediately separate from City service and that these employee separations will cause extreme pressure on the City's greatly depleted unrestricted cash resources.

(g) The City currently does not have sufficient unrestricted cash resources available to both maintain necessary levels of public safety related services and immediately pay separating employees for accumulated leave balances without an unacceptable risk of depleting available cash resources to the point that public safety services may be put in jeopardy.

(h) While any risk to the City's ongoing ability to provide necessary public safety services to it's citizens is a grave concern, the current level of crime in Stockton makes this risk one that this Council is unwilling to incur. To place at greater risk the safety of the community in this time of greatest need would be an unconscionable dereliction of this Council's most basic obligation to it's citizens.

(i) It is necessary at this time to immediately delay the further payment of all leave balances to separating employees until such time as there are sufficient unrestricted cash resources available to the City to allow for the payment of such leave balances while ensuring the City will have adequate resources remaining to fund basic services.

Section 2. Acceptance of Management Partners Report. The Financial Assessment Report prepared by Management Partners, on file with the Clerk and presented to this meeting, is hereby accepted.

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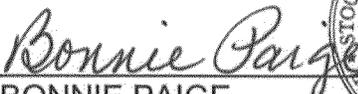
Section 3. Other Actions. The City Manager, City Attorney, Chief Financial Officer, City Clerk, and other appropriate officers of the City, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

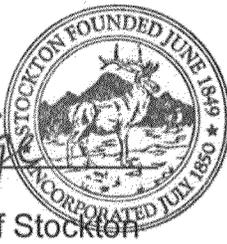
Section 4. Effectiveness. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED February 28, 2012.

  
ANN JOHNSTON  
Mayor of the City of Stockton

ATTEST:

  
BONNIE PAIGE  
City Clerk of the City of Stockton



The seal of the City of Stockton is circular. The outer ring contains the text "STOCKTON FOUNDED JUNE 1849" at the top and "INCORPORATED JULY 1850" at the bottom, separated by two stars. The center of the seal depicts a landscape with a mountain, a river, and a ship.

RESOLUTION NO. 2012-02-28-1502-03

**STOCKTON CITY COUNCIL**

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RESOLUTION AUTHORIZING THE COMMENCEMENT OF A CONFIDENTIAL NEUTRAL EVALUATION PROCESS BY THE CITY OF STOCKTON PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 53760 *ET SEQ.* AND DESIGNATING THE CITY MANAGER AS THE REPRESENTATIVE OF THE CITY OF STOCKTON; AUTHORIZING THE CITY MANAGER AND APPROPRIATE OFFICERS TO TAKE IMMEDIATE ACTIONS TO PRESERVE GENERAL FUND CASH LIQUIDITY AND RATIFYING CERTAIN ACTIONS IN CONNECTION THEREWITH INCLUDING SUSPENSION OF LEAVE BUYOUTS FOR SEPARATING EMPLOYEES; APPROVING ACCOUNTING ADJUSTMENTS FOR FISCAL YEAR 2010-11 AND AUTHORIZING THE PREPARATION OF FINAL ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR 2010-11; APPROVING MID-YEAR BUDGET ADJUSTMENTS FOR FISCAL YEAR 2011-12; APPROVING A CONTRACT WITH MANAGEMENT PARTNERS TO PROVIDE ONGOING FINANCIAL AND MANAGEMENT CONSULTING SERVICES; AND AUTHORIZING RELATED ACTIONS

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") can use to attempt to reach a mediated and negotiated resolution of their disputes in order to avoid a filing by the City pursuant to chapter 9 of the United States Bankruptcy Code; and

The Council has determined that it is in the best interest of the City, its citizens, employees, creditors and Interested Parties to promptly commence a confidential neutral evaluation process pursuant to the Act; and

The Council desires to designate the City Manager as the City's official representative for such process, and to delegate to the City Manager and his delegates the power to negotiate on the City's behalf with those Interested Parties who 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 has received a Financial Assessment Report from Management Partners concerning the city's financial condition which report makes certain recommendations consistent with the provisions of this Resolution; and

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The City must take immediate steps to preserve cash liquidity in the City's general fund in order to enable the City to continue to operate through the balance of Fiscal Year 2011-12; and

The Council desires to direct the City Manager to take specific steps to preserve cash liquidity and to ratify certain action already taken by the City Manager under emergency authority granted by this Council; and

In order to finalize the City's financial statements for Fiscal year 2010-11, certain adjustments must be made and the Council desires to direct staff to make such adjustments; and

In order to maintain budget balance for the remainder of Fiscal year 2011-12 certain mid-year budget adjustments must be made and certain findings must be made with respect to the City's previously declared Fiscal emergency and the Council desires to make such adjustments and findings; and

The Council has received a detailed report from Management Partners which concludes that the City is in dire financial condition and must take immediate steps to attempt to resolve its financial crises and put it on a firm financial footing going forward; and

The causes of this financial crises may include wrongful, unauthorized or illegal acts and the Council desires to direct the City Manager and City Attorney to undertake an investigation to determine if the City has legal recourse against any party in connection with such acts; and

The City desires to enter into a new contract with Management Partners in order to assist it in implementing the steps provided for in this Resolution; 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 May 17, 2011, the City Council adopted Resolutions #11-0113 and #11-0114 declaring that the City of Stockton was experiencing an ongoing fiscal emergency. That declaration is still in effect and continues today. That emergency declaration resolution gives the City Manager authority to take further emergency actions to preserve the City's ability to provide essential service to the citizens of Stockton in order to safeguard public health and safety.

(b) In Resolutions 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 Resolutions 11-0113 and 11-0114.

(c) The City is dangerously low on available cash resources necessary for current operations, including the operation of the City's police and fire departments, which are funded almost entirely from unrestricted general fund revenues.

(d) The ability of the City to continue funding basic public safety services during the pendency of this condition of fiscal emergency is of paramount importance to the citizens of Stockton.

(e) City employees have, through valued and continuous service, accumulated leave balances in the form of both sick leave and vacation and these balances represent a significant unfunded general fund obligation.

(f) It is anticipated that due to the current financial position of the City certain employees, some with very large leave balances that they will seek to convert to cash upon separation, will chose to immediately separate from City service and that these employee separations will cause extreme pressure on the City's greatly depleted unrestricted cash resources.

(g) The City currently does not have sufficient unrestricted cash resources available to both maintain necessary levels of public safety related services and immediately pay separating employees for accumulated leave balances without an unacceptable risk of depleting available cash resources to the point that public safety services may be put in jeopardy.

(h) While any risk to the City's ongoing ability to provide necessary public safety services to it's citizens is a grave concern, the current level of crime in Stockton makes this risk one that this Council is unwilling to incur. To place at greater risk the safety of the community in this time of greatest need would be an unconscionable dereliction of this Council's most basic obligation to it's citizens.

(i) It is necessary at this time to immediately delay the further payment of all leave balances to separating employees until such time as there are sufficient unrestricted cash resources available to the City to allow for the payment of such leave balances while ensuring the City will have adequate resources remaining to fund basic services.

## Section 2. The Neutral Evaluation Process

(a) The City hereby determines to commence a confidential neutral evaluation process pursuant to the Act.

(b) The City Manager is hereby designated as the City's official representative for the confidential neutral evaluation process. The City Manager may designate one or more delegates to participate in the confidential neutral evaluation process, subject to the direction and supervision of the City Manager. The City Manager and his delegates shall have the authority to represent the City in the neutral evaluation process, and shall have the power, among other things, to negotiate with Interested Parties and to make recommendations to this Council, subject to the final approval of this Council of any settlement or other action related to the City's obligations. The City Manager shall report periodically to this Council concerning the status of the confidential negotiations.

(c) The City Manager shall cause notice of the commencement of the confidential neutral evaluation process be provided to all Interested Parties as required by the Act.

(d) The City Manager shall conduct a process with the Interested Parties to select a Neutral Evaluator as required by the Act (the "Neutral Evaluator"), and shall be authorized to accept or reject proposed Neutral Evaluators recommended by the Interested Parties, and if necessary, to select a list of five proposed Neutral Evaluators and to choose a Neutral Evaluator pursuant to Section 53760.3(c)(2) of the Act; provided, that the contract or engagement agreement with the selected Neutral Evaluator shall be subject to the final approval of this Council.

(e) The City Manager shall work with other City staff, Management Partners, outside counsel and financial advisors to develop a proposed settlement structure with the Interested Parties that will enable the City to function with a balanced budget and on a sound fiscal footing going forward. This proposed settlement structure will form the basis for negotiations as a part of the confidential neutral evaluation process pursuant to the Act.

Section 3. Actions to Preserve Liquidity. The City Manager is hereby authorized and directed to take immediate action to preserve cash liquidity in the City's General Fund, including the following:

(a) On February 24, 2012, under authority granted to him by this Council in Resolutions 11-0113 and 11-0114 the City Manager took the following actions to stabilize and preserve the finances and available cash of the City in order to continue to provide services. Each such action taken by the City Manager prior to the effective date of this Resolution is hereby ratified and confirmed and the City Manager shall continue to implement the provisions described below until further direction is provided by this Council. The City Manager shall also develop alternatives to the measures set forth below and report back on such alternatives to this Council as soon as is practicable.

(1) *Annual Vacation Sell back or Cash Payoffs of Vacation.* Effective the pay period starting February 16, 2012, whatever annual vacation sell backs or pay offs as provided for in various Memorandums of Understanding are

temporarily suspended. This applies to all bargaining units and employees, including those units where the annual sellbacks or cash outs have already been suspended during the furloughs.

(2) *Vacation Hours Paid at Separation.* Effective the pay period starting February 16, 2012, all pay offs of unused vacation hours that would otherwise be made to an employee upon separation from City employment, and as provided for in various Memorandums of Understanding, are hereby temporarily suspended. This applies to all bargaining units and all employees. This suspension of pay offs of unused vacation shall also apply to Fire and Fire Management Longevity Vacation. This provision shall not apply to employees who are involuntarily separated from City Service.

(3) *Sick Leave Hours Paid at Separation.* Effective the pay period starting February 16, 2012, all payments of unused sick leave that would otherwise be made to an employee upon separation from City employment for any reason, and as provided for in various Memoranda of Understanding, are hereby temporarily suspended. This applies to all bargaining units and all employees.

(4) *Holidays Leave Hours Paid at Separation.* Effective the pay period starting February 16, 2012, all payments of unused holiday leave hours that would otherwise be made to an employee upon separation from City employment for any reason, and as provided for in various Memorandums of Understanding, are hereby temporarily suspended. This provision shall not apply to employees who are involuntarily separated from City Service.

(5) *Other Payments.* Other leave balance pay offs at separation including payments of unused compensatory time in lieu of overtime or furlough hour banks shall not be impacted by these suspensions.

(b) The City Manager shall suspend payment on certain general fund lease obligations due during the remainder of Fiscal Year 2011-12, as shown in Exhibit A, attached hereto and incorporated herein.

(c) The City Manager shall take such other actions as are necessary, in the judgment of the City Manager in consultation with the City's legal and financial advisors, to preserve cash liquidity to allow the City to continue to operate during the remainder of Fiscal Year 2011-12.

Section 4. Fiscal Year 2010-11 Accounting Adjustments. The adjustments to financial accounts, transfers and restatements with respect to Fiscal Year 2010-11 described in Exhibit B, attached hereto and incorporated herein, are hereby approved. The Chief Financial Officer is hereby authorized and directed to make such adjustments and to finalize the City's annual financial statements for Fiscal year 2010-11 and submit the same to the City's outside auditors for review.

Section 5. Fiscal Year 2011-12 Budget Adjustments. The mid-year budget adjustments for Fiscal Year 2011-12 described in Exhibit C, attached hereto and incorporated herein, are hereby approved.

Section 6. Management Partners Contract. The contract by and between the City and Management Partners, on file with the City Clerk and presented to this meeting, is hereby approved. The Council hereby makes the following findings in connection with such contract:

(a) There is an immediate need to initiate the AB 506 mediation and neutral evaluation process.

(b) The fiscal sustainability of the City is the top priority of the City Council.

(c) The City does not have the expertise, resources, or staff time to support the AB 506 process.

(d) There would be a significant delay in engaging in a formal Request for Proposals (RFP) process for AB 506 support services.

(e) Management Partners is uniquely familiar with the financial condition of the City based on their work conducting the financial condition assessment.

(f) Management Partners has working knowledge of the City and its staff that will expedite the process.

(g) Management Partners has the expertise and staff available to begin the preparation for the AB 506 process immediately.

(h) Management Partners has demonstrated the expertise and capability to manage time sensitive, high profile projects with outstanding performance and attention to detail.

(i) The proposed fees are reasonable and comparable to the costs for similar project management engagements.

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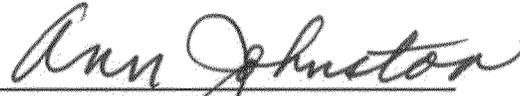
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Section 7. Other Actions. The City Manager, City Attorney, Chief Financial Officer, City Clerk and other appropriate officers of the City, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

Section 8. Effectiveness. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED February 28, 2012.



ANN JOHNSTON  
Mayor of the City of Stockton

ATTEST:



BONNIE PAIGE  
City Clerk of the City of Stockton



**Exhibit A**

Stockton Public Financing Authority Lease Revenue Bonds,  
Series 2004 (Parking and Capital Projects)

Stockton Public Financing Authority Variable Rate Demand Lease Revenue Bonds,  
2007 Series A and 2007 Series B (Building Acquisition Financing Project)

Stockton Public Financing Authority Lease Revenue Bonds,  
2009 Series A (Capital Improvement Projects)

## Exhibit B

## Amendments to the 2010-2011 Annual Budget and Transfers to Cover Fund Deficits

	Aug. 23, 2011 Amended Budget	Budget Increase/ (Decrease)	Feb. 28, 2012 Amended Budget
1) <u>Transfer unappropriated balances from unrestricted funds to the General Fund</u>			
Transfer From:			
Library Fund #041	-	(721,000)	(721,000)
400 E. Main Operating #085	-	(590,000)	(590,000)
Entertainment Venues #086	-	(570,000)	(570,000)
General Capital Fund #301	-	(798,000)	(798,000)
ESB & 400 Main Capital #305	-	(1,930,000)	(1,930,000)
Fleet ISF #501	-	(2,286,000)	(2,286,000)
Retirement ISF #561	-	(3,731,000)	(3,731,000)
Arts Endowment Trust #613	-	(1,300,000)	(1,300,000)
	<u>-</u>	<u>(11,926,000)</u>	<u>(11,926,000)</u>
Transfer To: General Fund	10,390,622	11,926,000	22,316,622
2) <u>Cover shortages in other funds with transfers from the General Fund</u>			
Transfer From: General Fund #010	(2,901,648)	(4,516,000)	(7,417,648)
Transfer To:			
Redevelopment Waterfront #343	-	3,876,000	3,876,000
Recreation Fund #044	2,901,648	20,000	2,921,648
HUD Grants placeholder	-	88,000	88,000
Development Services Fund #048	-	526,000	526,000
City Debt Service Fund #201	773,622	6,000	779,622
	<u>3,675,270</u>	<u>4,516,000</u>	<u>8,191,270</u>
Increase 2010-11 Expenditure Appropriation			
Redevelopment #343	1,871,406	3,876,000	5,747,406
Recreation Fund #044	5,521,259	20,000	5,541,259
HUD Grants placeholder	6,222,913	88,000	6,310,913
Development Services Fund #048	8,314,184	526,000	8,840,184
City Debt Service Fund #201	20,267,500	6,000	20,273,500
	<u>42,197,262</u>	<u>4,516,000</u>	<u>46,713,262</u>
3) <u>Increase 2010-11 Expenditure Appropriation</u>			
General Fund #010			
Various Dept. - Payroll Accrual	-	650,000	650,000
Measure W Fund #081	7,706,930	1,232,000	8,938,930

## Exhibit C

**General Fund**  
**2011-12 February Midyear Budget Update**

	Adopted Budget 6/21/2011	Amended Budget A	Budget Increase/ (Decrease) B	Feb. 28, 2012 Amended Budget (A + B)
<b>Beginning Available Balance</b>	-	-	6,603,929	6,603,929
<b>Revenues</b>				
Property Tax Revenues /Decline in Assessed Valuation	46,845,775	44,613,175	(100,205)	44,512,970
Sales Tax	35,650,000	35,650,000	530,000	36,180,000
Utility Users Tax	31,141,736	31,141,736	95,000	31,236,736
Franchise Tax	11,756,238	11,756,238	451,000	12,207,238
Business License Tax	8,669,432	8,669,432	476,000	9,145,432
State Budget/Loss of Vehicle License Fee Allocations	1,047,400	-	-	-
Other Taxes	2,440,000	2,440,000	(36,000)	2,404,000
Interest	668,250	668,250	(528,000)	140,250
Fire District Contracts	3,990,981	3,990,981	925,000	4,915,981
Code Enforcement	4,038,100	4,038,100	(772,016)	3,266,084
Redevelopment Pass Through	395,000	395,000	(105,000)	290,000
State Mitigation - Prison Hospital	-	347,000	(347,000)	-
Indirect Cost Allocation	5,800,000	5,800,000	(500,000)	5,300,000
Rents/Lease/ Concessions	2,302,200	2,302,200	294,000	2,596,200
Program sources	7,016,201	7,016,201	(1,208,578)	5,807,623
	<u>161,761,313</u>	<u>158,828,313</u>	<u>(825,799)</u>	<u>158,002,514</u>
<b>Expenditures</b>				
<b>Programs</b>				
Police - Grants and Vacancies	64,862,036	63,172,036	(223,500)	62,948,536
Fire	39,812,835	40,290,835	47,000	40,337,835
Public Works - Service Reductions	7,080,990	6,884,990		6,884,990
Economic Development	485,199	485,199		485,199
Peacekeeper Program - Grant	328,354	128,354		128,354
Arts	36,737	36,737		36,737
	<u>132,606,151</u>	<u>130,998,151</u>	<u>(176,500)</u>	<u>130,821,651</u>
<b>Program Support/Other Funds</b>				
Library - Vacancy Savings	4,027,759	3,977,759	-	3,977,759
Recreation - Vacancy Savings	2,807,263	2,757,263	-	2,757,263
Entertainment Venues	2,441,299	2,441,299		2,441,299
Redevelopment	1,000,000	1,000,000	2,100,000	3,100,000
Marina	732,000	732,000		732,000
Capital Improvement - Project Reductions	575,000	500,000	-	500,000
Grant Match (Federal COPS; CHRP)	300,000	300,000		300,000
Development Services	150,000	150,000		150,000
	<u>12,033,321</u>	<u>11,858,321</u>	<u>2,100,000</u>	<u>13,958,321</u>
<b>Administration</b>				
City Council	521,797	521,797		521,797
City Manager	735,926	735,926	1,800	737,726
City Attorney	913,115	913,115		913,115
City Clerk	760,597	760,597		760,597
City Auditor	405,801	405,801	100,000	505,801
Admin Services	3,201,627	3,201,627	1,500	3,203,127
Human Resources	1,272,332	1,272,332	1,700	1,274,032
Tax Collection and Election	2,310,000	2,310,000	310,000	2,620,000
Other Admin / Non-Departmental	1,363,178	1,513,178	(368,370)	1,144,808
Vacancy savings	-	(150,000)		(150,000)
Labor Litigation	1,500,000	1,500,000	3,500,000	5,000,000
	<u>12,984,373</u>	<u>12,984,373</u>	<u>3,546,630</u>	<u>16,531,003</u>
<b>Debt Service</b>	2,137,468	2,137,468	-	2,137,468
Increase PFF, POB, 400 E. Main Subsidies			2,357,000	2,357,000
Suspension of PFF and 400 E. Main Debt Payments	-	-	(1,245,000)	(1,245,000)
Transfer in from Parking Fund #416			(804,000)	(804,000)
	<u>2,137,468</u>	<u>2,137,468</u>	<u>308,000</u>	<u>2,445,468</u>
<b>Contingency</b>	2,000,000	850,000		850,000
<b>Subtotal, Expenditures</b>	<u>161,761,313</u>	<u>158,828,313</u>	<u>5,778,130</u>	<u>164,606,443</u>
<b>Net Annual Activity</b>	<u>-</u>	<u>-</u>	<u>(6,603,929)</u>	<u>(6,603,929)</u>
<b>Ending Available Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>