



CITY OF STOCKTON MEDIA INFORMATION

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Subject: City of Stockton Chapter 9 Filing – U.S. Bankruptcy Court Proceedings – Direct Testimony Of City Chief Financial Officer Vanessa Burke In Eligibility Trial

Date: Monday, March 25, 2013

At this week's trial to determine whether the City of Stockton is eligible for bankruptcy relief, the City will prove its case through the testimony of its City Manager, Deputy City Manager, Chief Financial Officer, and Police Chief, among others. Due to time constraints and to the sheer volume of evidence that the City will introduce, the City will not present the testimony of City witnesses through live question-and-answer direct testimony. Instead, the direct evidence will be presented by copies of the witness declarations that the City filed in support of its bankruptcy petition. The witnesses signed these declarations under penalty of perjury, and they have been accepted as evidence by the Court. As testimony, the declarations are just as valid as the City putting each witness on the stand and walking him or her through every paragraph of the relevant declaration.

Attached to this release are the Declarations of City Chief Financial Officer Vanessa Burke. Ms. Burke's Declarations present the following evidence that the Court will consider when determining whether the City was eligible for bankruptcy relief:

(1) On July 1, 2012, the City had less than \$2 million in cash, all of which would have been entirely depleted within the first few days of the fiscal year. It was not even enough to make the City's July payroll. Thus, the City would not have been able to pay its employees, let alone its creditors, during *any* month of the 2012-2013 fiscal year.

(2) The City could not balance its budget outside of chapter 9, absent massive give-ups by creditors who refused to make such concessions. The proposed 2012-2013 budget that City staff submitted to the City Council in May 2012 confirmed what the City already knew: It could not close its \$26 million "gap" and balance its budget without chapter 9 protection. Its anticipated revenues remained depressed. And while it had already made across-the-board reductions in employee costs, the costs of healthcare, pensions, and debt service in particular were trending upward.

(3) The City's financial reporting is reliable. Although there were many errors in the City's financial management and accounting practices under prior administrations, the current administration has committed itself to systematically uncovering and remedying these errors. The most recent audit of the City by independent auditors resulted in a "clean" unqualified opinion confirming that the City's financial numbers are materially correct. There is no basis for the allegation by the City's creditors that the City's financial numbers are unreliable or inaccurate.

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