



## **CITY OF STOCKTON MEDIA INFORMATION**

**Contact:** **Connie Cochran**  
**Public Information Officer**  
(209) 937-8827 office; (209) 629-1251 cell  
connie.cochran@stocktongov.com

**Subject:** City of Stockton Chapter 9 Filing – U.S. Bankruptcy Court Proceedings –  
Direct Testimony Of City Manager Robert Deis 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 is the Declaration of City Manager Robert Deis. Mr. Deis' declaration presents the following evidence that the Court will consider when determining whether the City was eligible for bankruptcy relief:

(1) Stockton is not a viable city in terms of the level of services it provides to its citizens. That is why bankruptcy is necessary: After years of cuts, there is no more to cut. Given the extreme crime rates in Stockton, further reductions to public safety would put the community in danger. Further cuts to community services such as after-school programs and libraries—service reductions proposed by the City's creditors—would destroy the community's quality of life and could increase crime. The City either imposed or negotiated massive reductions in compensation already. Further reductions to employee compensation and benefits would risk the City not being able to staff an underfunded and very busy Police Department.

(2) Voters were very unlikely to approve the tax increase that the creditors say that the City should have enacted, namely new taxes that would pay creditors but do nothing to increase or restore services. A City-commissioned poll found that voter support for such a proposal was only 21%.

(3) Though the City promptly took steps to reduce its over \$500 million retiree medical liability, it could not eliminate it without entering chapter 9 without huge risk. Mr. Deis explained that this retiree medical issue was arguably a bigger problem than the so-called CalPERS benefit.

(4) The City's creditors make much of the fact that there were many errors in the City's financial management and accounting practices under prior administrations. They try to create a cloud of uncertainty about the City's books. However, it was the current administration that uncovered these problems and has systematically committed itself to uncovering and remedying these errors—all despite severe cuts to the number of staff available to assist with this task. Nearly all of the errors identified by the City's creditors had

already been discovered, made public, and fixed by the City. The most recent audit of the City was a “clean” unqualified opinion by the independent auditors.

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