

## News

### STOCKTON OFFICIALLY FILES FOR CHAPTER 9

#### CITY TO ASK THAT MEDIATION DOCUMENTS BE MADE PUBLIC

By **Scott Smith**

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STOCKTON - The city filed its petition for bankruptcy protection with a Sacramento federal court on Thursday, marking the official beginning of Stockton's Chapter 9 case.

The filing includes City Hall's pendency plan, an alternative budget to be used during bankruptcy proceedings. The City Council approved the spending plan Tuesday night in a contentious, five-hour meeting.

The city also will ask the court to make public the documents from three months of mediation under AB506, the state law designed to head off bankruptcy.

Mayor Ann Johnston said in a prepared statement that filing for bankruptcy was necessary to correct the ailing city finances for the benefit of the community.

"We are extremely disappointed that we have been unable to avoid bankruptcy," Johnston said. "We will emerge from bankruptcy with a solid financial future."

City leaders say generous pay and benefits for its work force and overborrowing on expensive projects contributed to the crisis. The fall sped up with the nation's economic recession and foreclosure meltdown, which started in 2008.

The city cut \$90 million to balance its budgets in the past three years, mostly by reducing the pay for police and fire. The City Council turned this year to bankruptcy rather than asking employees to sacrifice further.

Stockton took its first step toward bankruptcy Feb. 28 when it decided to go into closed-door mediation to avoid bankruptcy. The effort, however, failed to restructure the city's finances.

City Manager Bob Deis has said he believes most residents will not notice anything different in bankruptcy. Local businesses that provide services to Stockton and the city's employees will continue to be paid.

"This is not to diminish the services and contributions of our employees and retirees," Deis said. "Our general fund resources are depleted, and we cannot allow the city to spiral into uncontrolled default."

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