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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-15
 Chapter 9

**EXHIBITS D THROUGH L TO
 DECLARATION OF ROBERT
 LELAND IN SUPPORT OF CITY'S
 SUPPLEMENTAL MEMORANDUM
 OF LAW IN SUPPORT OF
 CONFIRMATION OF FIRST
 AMENDED PLAN FOR THE
 ADJUSTMENT OF DEBTS OF CITY
 OF STOCKTON, CALIFORNIA
 (NOVEMBER 15, 2013)¹**

Date: May 12, 2014
 Time: 9:30 a.m.
 Dept: Courtroom 35
 Judge: Hon. Christopher M. Klein

24
 25
 26 ¹ Paragraph 13 of the Order Modifying Order Governing The Disclosure And Use Of Discovery Information And
 27 Scheduling Dates Related To The Trial In The Adversary Proceeding And Any Evidentiary Hearing Regarding
 28 Confirmation Of Proposed Plan Of Adjustment (Dkt. No. 1242, modifying Dkt. No. 1224) contemplates that the
 Parties will submit direct testimony declarations for their respective witnesses by April 21, 2014. Accordingly, the
 declarations submitted in support of this Supplemental Memorandum do not contain all of the information and do not
 attach all of the evidence that will be included in the direct testimony declarations that will be filed on April 21.

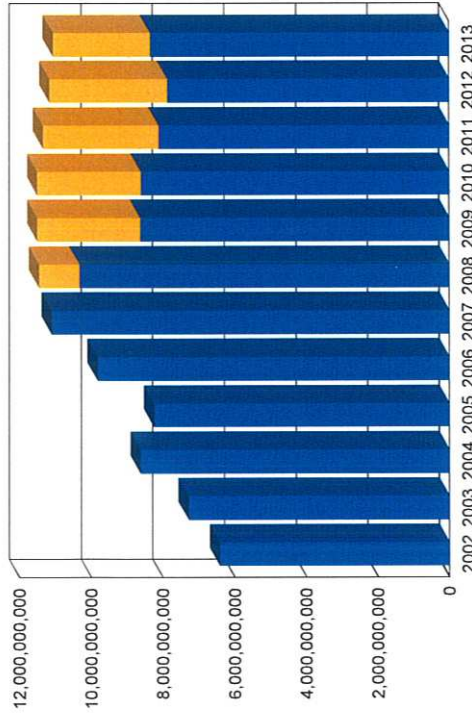
Exhibit D



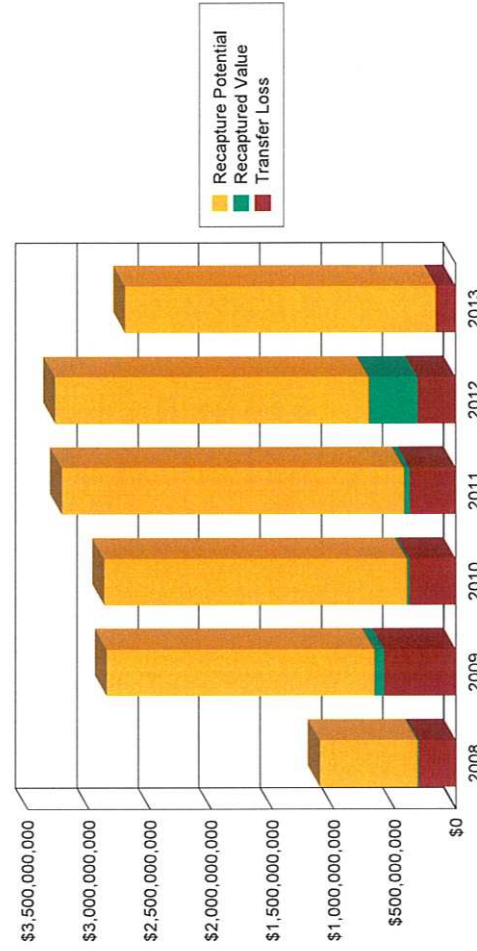
**THE CITY OF STOCKTON
STOCKTON GENERAL FUND
PROP 8 POTENTIAL RECAPTURE HISTORY**
Residential Parcels

Roll Year	Prop 8 Parcel Count	Net AV of Prop 8 Parcels	Inflation Adjusted Peak Taxable Values	Potential Recapture	% of All Parcels	Prop 8 Parcels that have Recaptured Value	Increase in Net AV Due to Recaptures	Transfer Count	Recapture Potential Due to Transfer
2008	13,849	4,052,165,346	5,164,910,291	1,112,744,945	28.6%	352	9,555,374	2,576	303,419,462
2009	27,641	5,426,811,500	8,279,809,724	2,852,998,224	57.0%	6,544	80,199,399	3,384	586,654,370
2010	26,618	4,985,024,244	7,860,306,746	2,875,282,502	55.1%	2,456	16,831,335	2,526	379,251,482
2011	31,383	5,433,204,368	8,654,232,945	3,221,028,577	65.1%	6,348	45,324,990	2,527	376,296,606
2012	32,732	5,480,497,956	8,756,446,024	3,275,948,068	67.9%	28,659	395,078,186	2,156	314,401,012
2013	26,762	4,834,242,153	7,539,558,417	2,705,316,264	55.6%			1,469	160,998,889

Totals for Residential Parcels



Prop 8 History



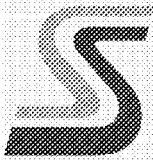
The report identifies those parcels which have been granted a value reduction and are eligible for further potential of recaptured value per Proposition 8. The reductions were based on market conditions at the time of assessor review. This calculation is derived from historical transfers of ownership, Assessor applied Proposition 8 reductions and trends in the marketplace relative to median and average home sales and is an estimate of the impact of current adjustments to the assessment roll as of the 2013-14 lien date.

The Inflation Adjusted Peak Value is defined as a parcel's highest value after its most recent sale. If a parcel is assessed for a lower value after its most recent sale, then the sales price becomes the peak value. Peak values are inflated annually according to the maximum allowed rate under proposition 13.

The count of Prop 8 Parcels that have recaptured value includes both parcels that have been fully recaptured and are no longer in the Prop 8 Parcel Count as well as parcels that have only recaptured a portion of the Inflation Adjusted Peak Values.

The Proposition 8 potential value recapturing is shown in the Potential Recapture Column and assumes no future sales transactions. As properties transfer ownership they are removed from the Prop 8 Parcel Count and if sold for more or less will not be eligible for value recapturing per Proposition 8.

Exhibit E



STOCKTON

2013/14 PROPERTY TAX SUMMARY



The City of Stockton experienced a net taxable value increase of 3.6% for the 2013/14 tax roll, which was slightly less than the increase experienced countywide at 5.0%. The assessed value increase between 2012/13 and 2013/14 was \$600 million. The change attributed to the 2% Proposition 13 inflation adjustment was \$104 million, which accounted for 17% of all growth experienced in the city.

The largest assessed value increase was reported on a formerly vacant property owned by WalMart Real Estate Business Trust at 10355 Trinity Pike. New improvement values were added to this site for an increase of \$12.5 million. This store opened in July 2012. Two industrial properties owned by AEC BBSTNCA 001 at 3610 S. Airport Way were purchased in 2012 and the value enrolled for 2013-14 reflects the price paid in the sale transaction. The two properties were purchased for a total of \$63 million and the year to year value change reported on the 2 sites was \$17.5 million. This is the location of the Cost Plus World Market Stockton distribution center.

The largest value decline was posted by Dameron Hospital Association at 525 W. Acacia Street. This owner failed to have their exemption applied before the close of the roll last year. The tax bill last year was cancelled after the exemption was appropriately accounted for, so there will be no tax loss related to the exemption filing, however last year's reported value was inflated until the exemption was applied.

The housing market has continued to improve in 2013 as home buying increased due to continued low interest rates and affordable prices. Foreclosure levels are back to historical norms. Median prices and numbers of sale transactions are up statewide. The median sale price of a single family home in Stockton from January through September 2013 was \$150,000. This represents a \$24,500 (19.5%) increase in median sale price from 2012.

Year	SFR Sales	Median Price	% Change
2007	1,667	\$314,000	
2008	4,682	\$165,000	-47.45%
2009	5,498	\$125,000	-24.24%
2010	3,902	\$135,000	8.00%
2011	3,918	\$125,000	-7.41%
2012	3,487	\$125,500	0.40%
2013	2,412	\$150,000	19.52%

2013/14 Tax Shift Summary

ERAF I & II	\$-10,232,981
VLFAA (est.)	\$17,981,933
Triple Flip	\$9,643,230
Triple Flip True up	\$62,989

Top 10 Property Owners

Owner	Net Taxable Value	% of Total	Use Type
1. EXCEL STOCKTON LLC	\$119,812,678	0.70%	Commercial
2. SIMPSON MANUFACTURING COMPANY INC	\$85,069,131	0.50%	Industrial
3. DTE STOCKTON LLC	\$82,913,182	0.49%	Unsecured
4. PACIFIC ETHANOL STOCKTON LLC	\$80,207,039	0.47%	Unsecured
5. BUZZ OATES ENTERPRISES II PARTNERSHIP	\$72,453,191	0.42%	Industrial
6. DIAMOND WALNUT GROWERS INC	\$69,480,675	0.41%	Industrial
7. AG SPANOS PROFESSIONAL OFFICE CENTER LLC	\$68,629,819	0.40%	Residential
8. CORN PRODUCTS INTERNATL INC	\$67,429,349	0.39%	Industrial
9. ARC BBSTNCA001	\$66,429,758	0.39%	Industrial
10. FERGUSON ENTERPRISES INC	\$64,222,295	0.38%	Unsecured
Top Ten Total	\$776,647,117	4.55%	

Real Estate Trends

Home Sales

Home sales began to rebound in many parts of the State as continued low interest rates are spurring on the market. Mid and high end sales are up and prices are rebounding quickly due to low inventories. The reported median price of an existing, single family detached home in California during July 2013 was \$363,000. This was a 29.2 percent increase from \$281,000 in July 2012.

All Homes	Units Sold July-2012	Units Sold July-2013	% Change	Median Price July-2012	Median Price July-2013	% Change
Fresno County	914	1,008	10.28%	\$156,500	\$191,000	22.04%
Kern County	992	1,083	9.17%	\$135,000	\$178,000	31.85%
Merced County	228	133	-41.67%	\$120,000	\$167,000	39.17%
Monterey County	334	332	-0.60%	\$272,750	\$355,000	30.16%
San Joaquin County	861	854	-0.81%	\$165,000	\$230,000	39.39%
San Luis Obispo County	374	437	16.84%	\$365,000	\$417,000	14.25%
Santa Barbara County	393	404	2.80%	\$342,500	\$370,000	8.03%
Santa Cruz County	185	178	-3.78%	\$457,000	\$500,000	9.41%
Tulare County	413	443	7.26%	\$122,500	\$158,000	28.98%

Recapturing SFR Proposition 8 Reductions

In 1978 California voters approved Proposition 8 that (among other things) allows county assessors to reduce the value of properties below their Proposition 13 taxable values when the real estate market declines. Such reductions are to be recaptured as the real estate market improves. Now, after five years of declining real estate values, county assessors are beginning to restore values. The graph below reflects the percentage of assessed value restored in 2013-14 for residential properties that have not changed ownership. Assessors will not restore values to their trended Proposition 13 values until the strength of the market recovery is proven. We are anticipating continued recovery of Proposition 8 reductions for 2014-15.

Estimated SFR Prop 8 Recaptures between 2012-13 and 2013-14

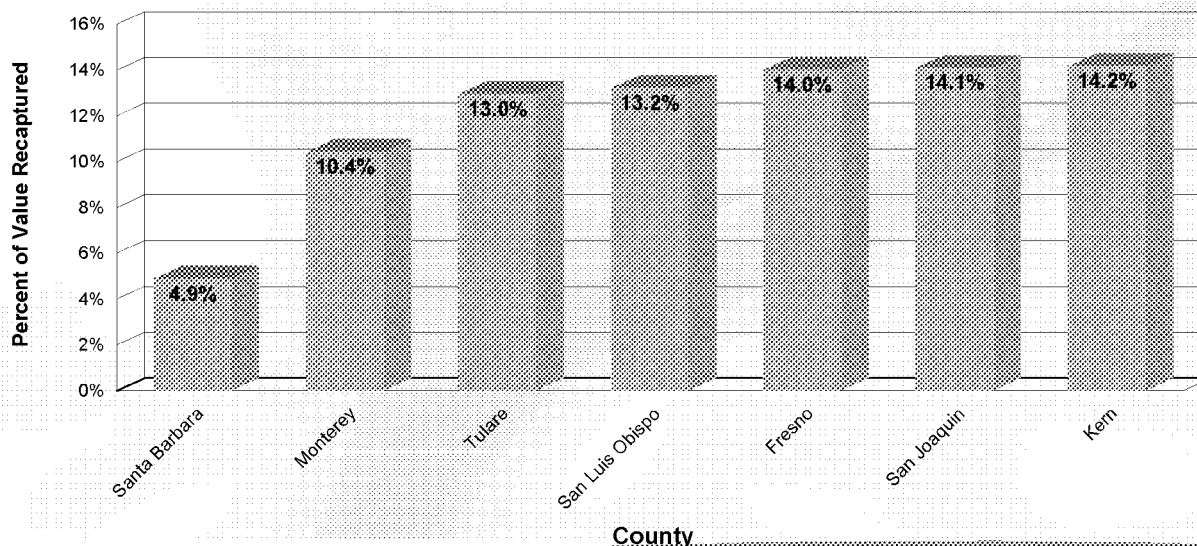
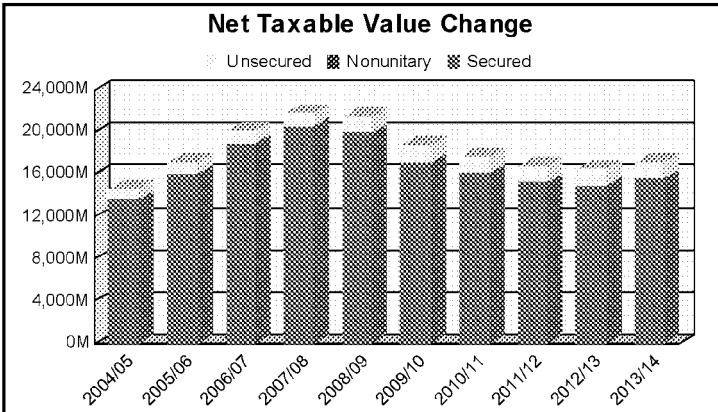
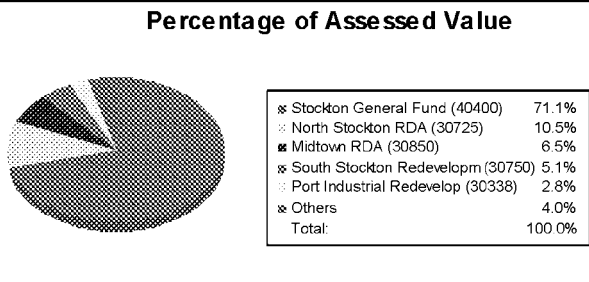


Exhibit F

Tax Year	Total Taxable Value
2013/14	17,079,490,783
2012/13	16,479,101,234
	600,389,549 Total Value Change
	Dollar Change Change Event
	104,475,207 Net Value Change of CPI Growth (2.000%)
	-245,315,066 Net Change of Parcels with Negative Growth
	-8,665,292 Unsecured Roll Change
	-103,544 Cross Reference Roll Change
	19,016,311 Transfer of Ownership Change
	53,349,932 Non Residential New Construction
	449,964,129 Single Family Residential Prop 8 Recaptures
	227,667,872 Other Net AV Change*
	600,389,549

Year to Year Value Change by Use Category		
Category	\$ Change	% Change
Residential	\$595,723,521	6.00%
Commercial	-\$86,055,910	-3.69%
Industrial	-\$8,132,881	-0.40%
Govt. Owned	\$309,513	8.07%
Institutional	\$2,126,655	7.06%
Irrigated	\$265,372	1.75%
Miscellaneous	\$7,496,632	4.16%
Recreational	-\$269,679	-0.65%
Unknown	\$62,104,496	132.76%
Vacant	\$36,866,475	11.52%
SBE Nonunitary	-\$1,275,809	-17.00%
Cross Reference	-\$103,544	-1.37%
Unsecured	-\$8,665,292	-0.57%

Change by Component	Total	Personal Property
Entire City	3.64%	-4.68%
Stockton General Fund	4.23%	-5.20%
Successor Agency	2.22%	-4.24%
Countywide	4.98%	-0.37%



Notes:

- Formerly vacant property owned by WalMart Real Estate Business Trust at 10355 Trinity Pike reported the enrollment of new improvement values on this site for an increase of \$12.5 million.
- 2 industrial properties owned by AEC BBSTNCA 001 at 3610 S. Airport Way were purchased in 2012 and the value enrolled for 2013-14 reflects the price paid in the sale transaction. Cost Plus World Market Stockton distribution center
- The largest decline was posted by Dameron Hospital Association at 525 W. Acacia Street. This owner failed to have their exemption applied before the close of the roll last year
- Industrial property at 1320 Performance Drive was purchased by Universal Molding Extrusion Company for less than the value reported for the previous owner for a 49% decline or a reduction of \$13.1 million.
- The CCPI is tracking at less than 2% currently 0.178% for 2014-15.

Top 10 Taxpayers Based on Net Values 2013/14	Rank	Top 10 Taxpayers Based on Net Values 2012/13
EXCEL STOCKTON LLC	1	BUZZ OATES LLC
SIMPSON MANUFACTURING COMPANY INC	2	EXCEL STOCKTON LLC
DTE STOCKTON LLC #70 in 2012-13 in Port of Stockton Unsecured	3	SIMPSON MANUFACTURING COMPANY INC
PACIFIC ETHANOL STOCKTON LLC	4	DIAMOND WALNUT GROWERS INC
BUZZ OATES ENTERPRISES II PARTNERSHIP	5	DAMERON HOSPITAL ASSOCIATION exemption late filing
DIAMOND WALNUT GROWERS INC	6	COMCAST OF CALIFORNIA XIII INC #22 in 2013-14
AG SPANOS PROFESSIONAL OFFICE CENTER LLC All Spanos included	7	CORN PRODUCTS INTERNATL INC
CORN PRODUCTS INTERNATL INC	8	PACIFIC ETHANOL STOCKTON LLC
ARC BBSTNCA001 new purchase sale price enrolled	9	FERGUSON ENTERPRISES INC
FERGUSON ENTERPRISES INC	10	COST PLUS INC asset reduction on unsecured roll

Exhibit G

THE CITY OF STOCKTON
2013/14 UNSECURED COMPARISON

2012/13 - 2013/14 Unsecured Roll Assessment Comparison (Largest 25 Changes)

Prior Year Bill #	Prior Year APN	Prior Year Owner	Prior Year Address	PY Net AV	Change
460077	145-030-09	Dte Stockton Lic	2626 Washington St	20,512,179	
460077	145-030-09	Dte Stockton Lic	2626 Washington St	82,904,741	62,392,562
407885	177-140-34	Cost Plus Inc	3610 Airport Way	59,382,104	
407885	177-140-34	Cost Plus Inc	3610 Airport Way	12,910,575	-46,471,529
394309	145-020-08	Pacific Ethanol Stockton Lic	3028 Navy Dr	65,376,497	
394309	145-020-08	Pacific Ethanol Stockton Lic	3028 Navy Dr	80,207,039	14,830,542
395821	177-270-20	Advanced H2O Lic	811 Zephyr St 300	29,499,583	
395821	177-270-20	Advanced Refreshment Lic	811 Zephyr St 300	21,450,250	-8,049,333
081429	145-030-09	Tesoro Logistics Operations Lic	3000 Navy Dr	2,635,474	
081429	145-030-09	Tesoro Logistics Operations Lic	3000 Navy Dr	9,246,423	6,610,949
837387	163-200-04	Holt Of California	1234 Charter Way	6,672,031	
837387	163-200-04	Holt Of California	1234 Charter Way	222,257	-6,449,774
<i>New Assessment</i>					
837394	139-070-10	Holt Of California	Stockton	5,960,859	5,960,859
713535	104-160-15	Continental Cablevision Of Cal	City Boundaries	17,463,281	
713535	104-160-15	Continental Cablevision Of Cal	City Boundaries	12,078,099	-5,385,182
037309	177-460-10	Coastal Pacific Food District Inc	1015 Performance Dr	14,307,011	
037309	177-460-10	Coastal Pacific Food District Inc	1015 Performance Dr	19,493,812	5,186,801
273563	145-030-01	California Portland Cement Company	Port Rd 4-5	38,649,399	
273563	145-030-01	California Portland Cement Company	Port Rd 4-5	43,768,596	5,119,197
359672	145-020-04	M And L Commodities Inc	11 Acres On Port Rd 6	24,777,470	
359672	145-020-04	M And L Refrigerated Terminal Inc	11 Acres On Port Rd 6	29,795,271	5,017,801
<i>New Assessment</i>					
486673	066-020-07	Wal Mart Stores Inc	10355 Trinity Pike	4,999,611	4,999,611
142096	193-410-08	A Teichert And Son Inc	265 Val Dervin Pike	1,171,485	
142096	193-410-08	A Teichert And Son Inc	265 Val Dervin Pike	5,976,873	4,805,388
106762	094-050-25	Comcast Of California XIII Inc	6505 Tam Oshanter	32,860,243	
106762	094-050-25	Comcast Of California XIII Inc	6505 Tam Oshanter	28,253,459	-4,606,784
<i>New Assessment</i>					
312994	177-280-59	Recycle To Conserve Inc	704 Zephyr St	4,544,056	4,544,056
785134	139-070-10	Toyota Motor Credit Corporation	Stockton	4,381,095	
948157	139-070-10	Toyota Motor Eng And Manufacturing No Inc California 17	Stockton	13,194	-4,367,901
082194	162-030-07	Weyerhaeuser Company	Cavanaugh 1002Av	6,415,255	
082194	162-030-07	Weyerhaeuser Nr Company	Cavanaugh 1002Av	2,204,306	-4,210,949
408062	153-231-17	Stockton Recycling Inc	2435 Weber Ave	1,073,063	
408062	153-231-17	Stockton Recycling Inc	2435 Weber Ave	5,012,171	3,939,108
<i>New Assessment</i>					
416643	147-300-08	Oakland Bag Inc		3,806,571	3,806,571
425890	179-070-15	Hub City Terminals Inc	4221 Mariposa Rd	7,725,056	
425890	179-070-15	Hub City Terminals Inc	4221 Mariposa Rd	4,071,166	-3,653,890



THE CITY OF STOCKTON 2013/14 UNSECURED COMPARISON

2012/13 - 2013/14 Unsecured Roll Assessment Comparison (Largest 25 Changes)

Prior Year Bill #	Prior Year APN	Prior Year Owner	Prior Year Address	PY Net AV	Change
786724	143-080-57	United Rentals Inc	2911 Fremont St	5,553,502	
786724	143-080-57	United Rentals Inc	2911 Fremont St	8,879,612	3,326,110
384371 <i>Dropped Assessment</i>	177-320-12	Quality Packaging Inc	1820 Industrial Dr	3,278,691	-3,278,691
312994 <i>Dropped Assessment</i>	177-280-59	Scope Industries Inc	704 Zephyr St	3,233,132	-3,233,132
677998	145-020-04	Calaveras Cement Company	Port Of Stkn White 2	14,932,421	
677998	145-020-04	Calaveras Cement Company	Port Of Stkn White 2	11,700,000	-3,232,421
299763 <i>Dropped Assessment</i>	177-280-13	Air Products Manufacturing Corporation	1010 Zepyr St	3,204,212	-3,204,212
21	Assessments in 2012/13			363,103,184	
22	Assessments in 2013/14			397,498,941	34,395,757

Exhibit H

Kimberly Trammel - Fwd: 2012-13 Property Tax Reports Addendum

From: Kimberly Trammel
To: Claire Tyson
Date: 3/27/2013 1:16 PM
Subject: Fwd: 2012-13 Property Tax Reports Addendum
Attachments: Property Tax Reports Addendum_39_STOCKTON_2012.pdf

You were not on this e-mail from HdL so I'm forwarding it to you. This is an update of the 2012-13 property tax report HdL prepare last fall.

They have not changed their 2013-14 property tax estimate. The indication from this report and the County Auditor-Controller is that 2012-13 property tax revenues may be even more than the **\$43.3 million** we projected in the Quarter 2 report. My best estimate at this time is **\$43.5 million** but it could be as high as \$43.7 million. This is still a less than 1% variance. We have already increased the property tax projected by \$940k since the adopted budget.

>>> On 3/27/2013 at 7:42 AM, <updates@hdlccpropertytax.com> wrote:



Spring 2013

Attached you will find the City's 2012-13 Addendum Property Tax Report. This data incorporates changes from the final taxing percentages as prepared by your county Auditor-Controller. As a result, the total taxes calculated in this final document may differ slightly from those prepared in your Preliminary report delivered either earlier this year or before the end of 2012.

In addition, we have updated transfers of ownership so that the top property taxpayer reports reflect recorded ownership changes through the end of December 2012.

Included in the Addendum reports is a copy of the general fund spreadsheet for estimating 2013-14 revenues. A memo detailing the methodology used in the report is included. We also encourage you visit our website www.hdlcompanies.com/reports where we have posted the city's 2013-14 General Fund Revenue Estimate in an interactive excel format.

While we do not usually make an oral presentation with these materials, we will be glad to make an appointment to review these reports with you if you call and make those arrangements with me, Marty Coren or Nichole Cone. In addition, if you are unable to produce reports from this attachment, we will print them for you upon request. Should you have any questions regarding the enclosed materials, please feel free to contact us for assistance.

Data contained in this e-mail is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL Coren & Cone.

Exhibit I



CITY OF STOCKTON

EXTENDED SALES AND USE TAX BUDGET ESTIMATE

Industry Group	Fiscal Yr 2011-2 Actuals	Actual Qtrs 3Q	Prior Qtrs 4Q-2Q	Fiscal Yr 2012-13 Adjust	Total 4 Qtrs %	Fiscal Yr 2013-14 Adjust	Fiscal Yr 2013-14 Projection %	Fiscal Yr 2014-15 Projection %	Fiscal Yr 2015-16 Projection %	Fiscal Yr 2016-17 Projection %	Fiscal Yr 2017-18 Projection %
Autos And Transportation	5,445,578	1,517,632	4,100,248	315,700	5,933,811 9.0%	251,200	6,842,781 4.2%	6,432,172 4.0%	6,721,619 4.5%	7,057,700 5.0%	7,410,585 5.0%
Building And Construction	3,575,408	1,010,897	2,532,470	(87,300)	3,556,667 -0.5%	136,200	3,692,267 3.8%	3,803,035 3.0%	3,917,127 3.0%	4,034,640 3.0%	4,155,680 3.0%
Business And Industry	5,103,240	1,438,141	3,882,994	108,500	5,429,534 6.4%	71,600	5,501,234 1.3%	5,666,271 3.0%	5,807,928 2.5%	5,924,067 2.0%	6,042,569 2.0%
Food And Drugs	2,235,575	541,815	1,674,960	(346,900)	2,216,775 -0.7%	10,350	2,249,275 1.5%	2,294,261 2.0%	2,340,146 2.0%	2,386,949 2.0%	2,434,688 2.0%
Fuel And Service Stations	5,171,998	1,416,377	3,809,082	(346,900)	4,878,660 -5.7%	10,350	4,888,910 0.2%	5,060,021 3.5%	5,262,422 4.0%	5,472,919 4.0%	5,637,107 3.0%
General Consumer Goods	8,181,444	2,024,758	6,235,645	641,500	8,961,503 9.5%	244,350	9,206,253 2.7%	9,482,440 3.0%	9,766,913 3.0%	10,059,921 3.0%	10,412,018 3.5%
Restaurants And Hotels	3,001,348	747,816	2,284,542	97,200	3,129,588 4.2%	119,550	3,449,108 3.8%	3,346,581 3.0%	3,430,246 2.5%	3,516,002 2.5%	3,621,482 3.0%
Transfers & Unidentified	63	100	63	(50)	13 78.7%	(100)	13 -88.8%	13	13	13	13
State and County Pools	4,251,570	1,024,199	3,198,567	172,700	4,395,666 3.3%	219,750	4,615,216 5.0%	4,615,216	4,615,216	4,615,216	4,615,216
Total	36,979,223	9,721,735	27,878,571	901,350	38,501,356 4.1%	1,085,400	39,587,056 2.8%	40,700,010 2.8%	41,861,650 2.9%	43,067,447 2.9%	44,329,356 2.9%
Administration Cost	(355,989)	(84,773)	(265,919)	(360,692)	(360,692) -1.3%		(360,692) 0.0%	(360,692)	(360,692)	(360,692)	(360,692)
Total	36,611,234	9,626,962	27,612,652	901,350	38,140,364 4.2%	1,085,400	39,226,364 2.8%	40,339,319 2.8%	41,500,938 2.9%	42,706,755 2.9%	43,968,665 3.0%
Triple Rip Deduction	(9,245,556)				(9,245,556) -4.1%		(9,586,764) -2.8%				
Estimated SUTCF	8,437,567				9,397,660 11.4%		9,797,796 4.3%				
True-Up Payment	(46,586)				540,633 1,265.6%		31,700 -76.6%				
Total	35,765,679	9,626,962	27,612,652	901,350	38,463,174 7.5%	1,085,400	39,599,097 2.1%	40,339,319 2.8%	41,500,938 2.9%	42,706,755 2.9%	43,968,665 3.0%

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02/11/2013 2:48 pm

CTY248525

Exhibit J

CITY OF STOCKTON
FY 2012-13 (ending September)
Mid-Year Sales and Use Tax Revenues Projection
(Cash Basis)

Agency Budget Estimate for FY 2012-13		
Sales Tax Net		28,831,500
Sales Tax In Lieu		9,610,500
Total Agency Budget Estimate		<u>\$38,442,000</u>
Total Payment From SBOE (Gross Before Triple Flip Deduction)		
Includes State and County Pools, Net of Admin Fee		
Current Quarter	4Q 2012	9,429,080
Previous Quarter	3Q 2012	9,626,962
2nd Previous Quarter	2Q 2012	9,626,490
3rd Previous Quarter	1Q 2012	8,320,125
Total Payments		<u>37,002,658</u>
Adjustments		
<i>Economic Adjustments</i>		
Autos & Transportation (+8.0%)		231,550
Pools (+8.0%)		161,600
General Consumer Goods (+3.0%)		122,300
Business & Industry (+4.3%)		109,050
Fuel & Service Stations (-3.3%)		(60,550)
Building & Construction (+4.5%)		75,950
Restaurants & Hotels (+4.7%)		72,900
Transfers & Unidentified (-100.0%)		(63)
Food & Drugs (0.0%)		0
Other Adjustments (see attached)		117,400
Total Adjustments		<u>810,137</u>
Subtotal Point-of-Sale		<u>37,812,795</u>
Triple Flip Deduction		(9,543,443)
Net Point of Sale (75% Allocation)		<u>28,269,352</u>
Back Fill Payment		
Estimated FY 2012-13 SUTCF (Net of Admin)		9,397,460
FY 2011-12 True-Up Payment		540,463
Total Back Fill Payment		<u>9,937,923</u>
ESTIMATED FY 2012-13 SALES TAX REVENUES		<u>\$38,207,275</u>
Rounded to Nearest Thousand (6.8% increase from FY 2011-12 actual)		\$38,207,000
Not included in the above projection :		
1. Transactions Tax District revenues (based on 23.1% of 1% Local Tax)		\$8,735,000

Exhibit K

Kimberly Trammel - Re: Sales Tax Projections

From: Claire Tyson
To: Bob Leland
Date: 3/28/2013 11:37 AM
Subject: Re: Sales Tax Projections
CC: Kimberly Trammel; Larry Lisenbee; Ryan Pham; Vanessa Burke

Bob,

We continue to monitor the current year projections while we are refining the proposed 2013-14 budget which will show both year's information. Budget proposals are going through a series of reviews which will be done in early May. So you should expect to start receiving updated schedules during the week of May 6th. If we have information earlier, we will share it with you. Thanks so much

Claire

Claire Tyson
 Budget Officer
 City of Stockton
 (209)937-7999

>>> Bob Leland <robert.clark.leland@gmail.com> 3/28/2013 9:33 AM >>>

Claire - It's interesting that even as economy continues to "improve" that HdL estimate actually is down a bit from their last estimate. I've been using the 2Q numbers, but I assume there will be other updated numbers as well when the 13-14 prelim budget is released. What is your planned timing for budget release? Kim's plan sounds reasonable. Bob

On Tue, Mar 26, 2013 at 1:39 PM, Kimberly Trammel <Kimberly.Trammel@stocktongov.com> wrote:

HdL provided the attached sales tax estimate updates at my request. They will be here to discuss this in detail on April 9th.

The revised 2012-13 estimate is slightly lower (\$240,000) than the estimate they provide last month. In the Q2 report we projected 2012-13 sales tax revenues would be **\$39.6 million** based on the previous estimate reduced by a \$450,000 cushion. HdL's new estimate plus SB509 revenues total **\$39.8 million**. I recommend keeping a \$300,000 cushion on HdL's estimate due to economic uncertainty. This would mean a revised 2012-13 estimate of \$39.5 million which is approximately \$100,000 less than the Q2 report.

FY 2013-14 baseline of **\$40.47 million** was based on HdL's 2/11/13 estimate reduced by a \$450,000 cushion. Their new estimate is about \$360,000 lower. We could reduce the cushion to \$300,000 but I think we need to revise the 2013-14 budget downward by at least \$200,000. The lower 2013-14 budget of **\$40.27 million** would still be an increase over 2012-13 of 1.8%.

Let me know if you have questions.

Thanks,
 Kim

>>> On 3/26/2013 at 11:18 AM, <DVestal@hdlcompanies.com> wrote:

Kim and Vanessa;

Attached are the updated sales and transactions tax projections for our quarterly meeting on April 9th. The totals are consistent with, but slightly lower than the projections that Sheri prepared for you last quarter.

file:///C:/Documents and Settings/ktrammel/Local Settings/Temp/XPgrprwise/51542B75C... 12/17/2013

CTY248528

Please give me a call or e-mail if you have any questions in advance of our meeting or if you note any new or closing business that should be added to the "Other Adjustments" listings.

Don

Don Vestal

Principal

dvestal@hdlcompanies.com

[909.861.4335](tel:909.861.4335)

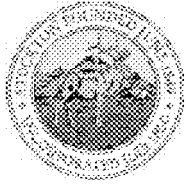


Exhibit L

AGENDA ITEM 15.3

14-0202

***FISCAL YEAR 2012-13 FOURTH QUARTER GENERAL FUND
BUDGET UPDATE AND YEAR-END PROJECTION***



City of Stockton

Legislation Details (With Text)

File #: 14-0202 Version: 1
 Type: New Business Status: Agenda Ready
 File created: 2/4/2014 In control: City Council/Successor Agency to the Redevelopment Agency/Public Financing Authority Concurrent
 On agenda: 2/25/2014 Final action:
 Title: FISCAL YEAR 2012-13 FOURTH QUARTER GENERAL FUND BUDGET UPDATE AND YEAR-END PROJECTION

RECOMMENDATION

It is recommended that the City Council accept this report, adopt a resolution amending the Fiscal Year 2012-13 Annual Budget to address a shortfall in funding for Debt Administration and amend the Adopted Budget Council Resolution 2013-06-25-1601-01, Section 7 to provide for the retention of \$3.1 million of the Ending Fund Balance in the General Fund.

Sponsors:

Indexes:

Code sections:

Attachments: [Attachment A - General Fund 4th Quarter Budget Update](#)
[Attachment B - Revenue Summary FY 2012-13 Year End Projection](#)
[Proposed Resolution - 2013-14 Q4 Budget Update](#)

Date	Ver.	Action By	Action	Result
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FISCAL YEAR 2012-13 FOURTH QUARTER GENERAL FUND BUDGET UPDATE AND YEAR-END PROJECTION

RECOMMENDATION

It is recommended that the City Council accept this report, adopt a resolution amending the Fiscal Year 2012-13 Annual Budget to address a shortfall in funding for Debt Administration and amend the Adopted Budget Council Resolution 2013-06-25-1601-01, Section 7 to provide for the retention of \$3.1 million of the Ending Fund Balance in the General Fund.

Summary

The City's General Fund budget for Fiscal Year 2012-13 was balanced by making \$26 million in reductions to creditors and retirees under the Pendency Plan adopted on June 26, 2012. All reductions included in this Plan/budget were effective through the entirety of the 2012-13 Fiscal Year.

Staff provided the City Council with three previous status reports on the Fiscal Year 2012-13 General Fund - the first quarter results on December 11, 2012, the second quarter results on March 19, 2013 and the third quarter results on June 25, 2013. The third quarter report concluded that based on information available at that point, and assuming trends apparent at that time continued, the General

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Fund would end the year with a positive available balance between \$6.9 and \$8.9 million, depending on whether any portion of the \$2 million General Fund Contingency Reserve was used in the last quarter of the year.

The Budget Office has now reviewed and analyzed the preliminary financial activity in the General Fund for the final three months ended June 30, 2013, with results shown in Attachment A. The City has closed its financial records and the year-end audit is in progress, however end of year totals are preliminary and unaudited in this report. Staff does not anticipate significant changes to these amounts. Though we had anticipated a normal schedule, and this year-end budget update report would be presented to City Council within six months of year end, there was more effort needed to close out the 2012-13 year. As was discussed in prior reports, the antiquated financial systems, getting outstanding audits caught up, bankruptcy negotiations, preparation for the 2014-15 budget process and start of labor negotiations, all create competing priorities which delayed this report. Going forward, it will be important to address this issue in order to avoid negative impacts on the implementation of Measures A & B. Staff is requesting additional positions as part of the Measure A & B implementation plan (subject to a separate staff report at this meeting). These added positions will not only support the new sales tax measure but can provide much needed assistance with closing efforts and bringing financial reporting current.

Based on twelve month revenue and expense totals, the General Fund is projected to have ended the year with a positive available fund balance of approximately \$16.1 million. This includes \$2.0 million in contingency reserve budget that was not used, as well as approximately \$828,000 of unused Labor Litigation/Chapter 9 funds.

The Adopted Budget Council resolution directed that the General Fund ending balance in its entirety was to be transferred to the Bankruptcy Fund to be used for claims and related costs to exit bankruptcy. The Government Finance Officers Association recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted fund balance in their General Fund of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures, which is equivalent to 16.67% of those amounts. Cities with formal reserve policies generally specify between 10 - 20% reserve levels. The Administration now recommends that the portion of the Ending Fund Balance (\$3.1 million) that resulted from the unanticipated refund of County Property Tax Administration Fees (explained in detail later in this report), be retained in the General Fund to help build the available fund balance. With a balance of \$3.1 million (or just under 2%), the City is still substantially below these recommended levels. This recommendation is made to provide a small start towards building up one-time monies to meet the many unfunded, but mission critical needs for spending. These include significant expenditures for deferred building and facility maintenance, deferred tree maintenance, mobile and portable radios for public safety, proposed technology projects identified in the City-wide Technology Strategic Plan, and additional rate changes to fund accumulated deficits in the City Internal Service Funds (Workers' Compensation - \$44.0 million; General Liability-\$4.9 million).

The remaining \$13 million fund balance will, per prior Council direction, be transferred to the Bankruptcy Fund. These funds will be used to settle the claims of creditors that have been negotiated and to pay for the legal expenses associated with the City's bankruptcy. Settlements could be paid from these funds such as the retiree settlement and the anticipated move to the 400 East Main building as part of the settlement with Assured Guaranty under the plan. The City expects to conclude the bankruptcy case by the end of the fiscal year but we expect additional expenses to conclude the case and to fully implement the plan of adjustment. Should the bankruptcy case

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continue, due to the aggressive efforts of the one significant creditor that has yet to reach an agreement with the City, these funds would be used for associated legal expenses. If that case were to be long and protracted these funds would not be sufficient to cover all of those expenditures.

The increase in the 2012-13 General Fund available fund balance estimate provided in this report compared to the third quarter report (including no use of Contingency) is approximately \$7.2 million. This increase was the result of an increase in revenue estimates in a number of categories, as well as higher than previously projected savings in various expenditure categories described below.

By far the largest change was the unanticipated receipt of a one-time Property Tax Administrative Fee (PTAF) refund in the amount of \$3.1 million from San Joaquin County as the result of a court ruling earlier in the year. The remaining variances from the third quarter projections in revenue were improvements in Sales Tax (\$382,000), Utility User Fees (\$151,000), Refunds and Reimbursements (\$720,000) and Rents, Leases and Concessions (\$258,000), partially offset by lower than anticipated collections in Indirect Cost Allocations (\$329,000) and Program Revenues (\$119,000).

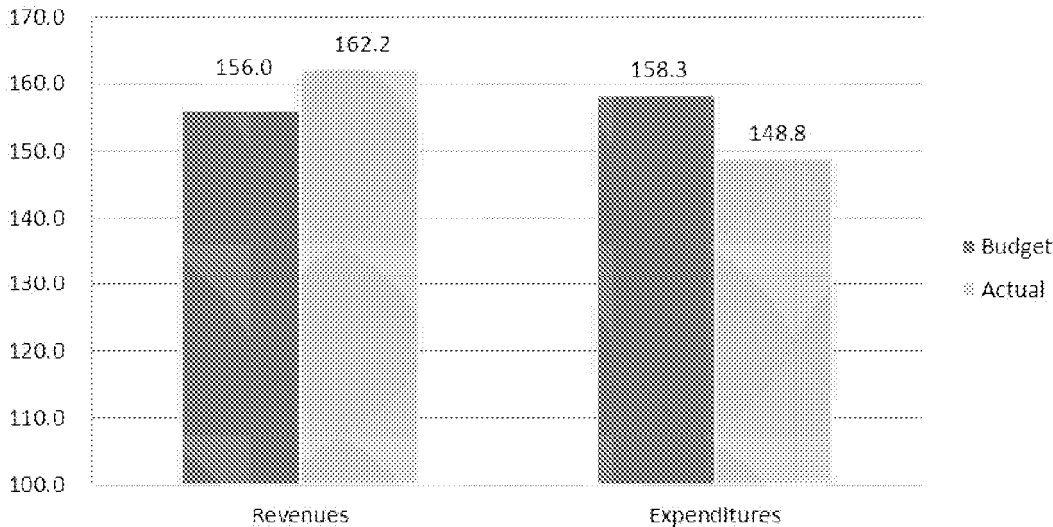
Total expenditure savings were up from third quarter estimates by approximately \$2.6 million. This represented higher than previously anticipated savings in Labor Litigation and Chapter 9 expenditure (\$828,000), as well as higher savings in several City departments and expenditure categories: Fire, Administrative Services, Human Resources, RDA Successor Agency, Grant Match and Tax Collection and Election costs.

Final 2012-13 General Fund year-end revenues are projected in this report at \$162.2 million, an increase over the Amended Budget of \$6.2 million, or approximately 4%. General Fund expenditures for 2012-13 are estimated at \$148.8 million, \$9.5 million, or 6.0% below the Amended Budget. Of the \$9.5 million in expenditure budget savings, \$2.0 million is the result of not utilizing any of the \$2.0 million Contingency Reserve budget. Again, this \$16.1 million in savings is only possible due to the \$26.0 million in cuts made through the City's bankruptcy to balance the budget and the deferral of critical expenditures.

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FY 2012-13 Budget vs. Actual General Fund Revenues & Expenditures

(in millions \$)



DISCUSSION

Background

One of the strategic initiatives developed to support the City Council's "Fiscal Sustainability - Getting our Fiscal House in Order" goal was to provide regular analysis and reporting of the City's financial status. The Quarterly Budget Update reports are provided as part of that effort.

Prior Budget Actions

During the prior three years, several extensive budget actions have been brought before Council that involved significant service and compensation reductions. The Fiscal Year 2011-12 Budget, as adopted by Council on June 21, 2011, was balanced using a combination of service reductions (approximately \$12 million) and significant employee compensation reductions (approximately \$25 million) imposed under the City's second declaration of fiscal emergency in addition to the deferral of critical expenditures. On February 28, 2012 a Fiscal Condition Update was presented to Council that included a revised Fiscal Year 2011-12 net annual operating deficit projection of \$8.6 million. The change was primarily due to declines in revenue, additional subsidy to the Redevelopment Agency for expenditure overdrafts, other actions to address prior year accounting adjustments (e.g. writing off accounts receivables, cash reconciliation variances, etc.), and other items described in that report. The Council approved \$15 million in solutions to resolve deficit fund balances (FY 2010-11 \$6.6 million and FY 2011-12 \$8.6 million) through unrestricted fund transfers and suspending certain general fund supported debt payments, and other actions.. Without these actions at year-end, the General Fund would have ended FY 2011-12 with a large deficit fund balance and a negative cash balance.

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On June 26, 2012 the Council closed a \$26.0 million budget deficit by approving the 2012-13 Annual Budget and Pendency Plan assuming the protection of Chapter 9 (bankruptcy). The Pendency Plan suspended debt payments, reduced retiree medical benefits in FY 2012-2013, continued reductions of pay and benefits imposed under Declarations of Fiscal Emergency and reduced compensation components that exceeded those in the City's labor market. The City filed for Chapter 9 Bankruptcy on June 28, 2012 and on April 1, 2013 the judge ruled that Stockton is eligible for bankruptcy relief. The City continues to provide services under the Pendency Plan while under Chapter 9 protection. The FY 2012-13 Pendency Plan was amended by Council on September 11, 2012, to adjust for new property tax information and agreements reached with labor.

Budget Monitoring Current Fiscal Year

On June 25, 2013 staff provided the City Council with a status report on the General Fund results for the Third Quarter and Year-end Projection which identified a likely year-end positive fund balance to a range of \$6.9 to \$8.9 million (again depending on whether any of the \$2.0 Contingency Reserve was used in the final months of the year). In that report, General Fund revenue collections were estimated to end the year above the amended budget by \$1.7 million or 1.1%, and it was projected that the overall annual savings in General Fund expenditures would be approximately \$4.8 million or 3.1%.

Present Situation

2012-13 General Fund Fourth Quarter Results

A review of preliminary year-end revenues and expenditures for Fiscal Year 2012-13, which includes fourth quarter results, has now been conducted. The summary of the year-end outcomes, including a comparison with the Amended Budget and Third Quarter projections is displayed on Attachment A. This analysis covers 12 months of actual activity. The City has closed its financial records and the year-end audit is in progress, however end of year totals are preliminary and unaudited in this report. Year-end results are based on the information currently available with projections to year-end. Staff does not anticipate significant changes to these amounts. Explanations and details regarding specific revenue and expenditure variances are presented in the following pages.

Revenue

Based on current information, it is expected that the General Fund revenues will end the year approximately \$6.2 million greater than budgeted, which is above the estimates provided in the prior Quarterly reports. This positive variance (4.0%) from budget reflects offsetting revisions in estimates in both the tax and non-tax revenue categories. As described above the most significant variance from prior estimates reflects the unexpected receipt of \$3.1 million in refunds from the County for prior year over collections of the Property Tax Administration Fee (PTAF). This results from the outcome of litigation in the City of Alhambra et al. v. County of Los Angeles case. The City of Alhambra, along with a number of other cities, sued the County of Los Angeles regarding the calculation of Property Tax Administration fees for the years from 2006-07 to 2011-12. The Cities argued that SB 1096 Triple Flip and Motor Vehicle License Fee revenues, which are now incorporated into Property Tax category in receipts received from the Counties, should be excluded from the calculation of the PTAF charged to cities. The California Supreme Court, on appeal, ruled unanimously that the methodology utilized by the County of Los Angeles, as well as the other

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involved counties, was illegal. Late in the year, San Joaquin County notified the City of Stockton that it would be complying with the refund of PTAF plus accumulated interest. Council approved the settlement of the City's claim against the County of San Joaquin for recovery of these fees on December 17, 2013. Subsequently the City received a payment of \$3.1 million, not including interest to be received in FY 2013-14 which was under negotiation. This amount had not been anticipated in prior budget projections.

Other categories where revenue exceeded the estimates provided in the third quarter review include Sales Tax, Utility Users Tax, Interest Earnings, Refunds and Reimbursements and Rents, Leases and Concessions, offset by lower than anticipated receipts in the Indirect Cost Allocation and Program Revenues categories.

Current estimates indicate that the General Fund received \$162.2 million in revenue for the 12 months of the fiscal year. Attachment B details the year-end revenue received in the General Fund by category, and indicates the variances from the Third Quarter Report as well as the Amended 2012-13 General Fund budget.

Property Taxes - Property tax revenues are received primarily in December and May. As the general economy of the City slowly improves, median home prices are trending upward. Overall property tax revenues projections of \$46.7 million are \$3.1 or 7.2% more than projected in the third quarter report, entirely due to the refund of the prior year Property Tax Administrative Fee (PTAF) refund described above.

Sales Tax - The final Quarter receipts came in slightly above prior estimates. As a result 2012-13 sales tax revenues are \$382,000 more than the third quarter budget update presumed. This is an increase of \$1.0 million (2.6%) over budget and would represent a 7% increase over Fiscal Year 2011-12 revenues. This growth is attributable to 3.7% increase in point of sale transactions and 18% increase due to a State true-up of the 2011-12 triple flip back fill. The growth in point of sales tax reflects improved automobile sales, the new Wal-Mart Supercenter, improved consumer sentiment and pent-up demand for general consumer goods, and a recovery in travel and tourism boosting sales at restaurants, hotels and car rentals.

Utility Users Tax - Total Utility Users Tax (UUT) revenues are projected to come in about 1.4% above the budget for a total of \$31.9 million. Projected UUT revenues are \$152,000 above that projected in the third quarter report reflecting better than anticipated Water, Electricity and Gas UUT receipts. Receipts are received monthly and monitored by an outside consultant. Cable tax revenue came in \$408,000 above the Amended Budget due to a reporting change by AT&T last September which separates cable from telecommunications revenues. The result is that cable revenue reports higher than projected while the telecommunications revenue reports lower. Telecommunication UUT revenues were \$107,000 below the budget. Both Cable and Telecommunications UUT revenues, however, came in slightly below Third Quarter estimates. Receipts from Comcast Cable ended the year at the budgeted level of three percent less than prior year. For AT&T, growth in wireless telecommunications revenues from rate increases, additional wireless customers and prior year catch up payments found by the City's consultant offset most of the loss due to AT&T reporting corrections.

Franchise Tax - Overall Franchise revenue is projected to be \$416,000 or 3.7% more than budgeted. This is approximately \$81,000 higher than anticipated in the Third Quarter report. The improved collections are primarily due to improvements in the commercial and industrial sectors leading to increased volume and need for services provided by waste hauler companies. PG&E franchise

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revenues came in 1% below budget as anticipated in the third quarter report. Cable/video franchise revenues improved \$22,000 in the fourth quarter to exceed the amended budget by 3.7%.

Business License Tax - The majority of the Business License tax is received in the last five months of the fiscal year. In the third quarter update, the Administrative Services Department projected that it would achieve \$9.1 million by fiscal year end which was \$225,000 more than projected in the second quarter budget update, but still below the budgeted level by \$110,000. Final collections were slightly above that level at \$9,168,000, which was under budget by \$67,000 (0.7%). The growth over prior year collections can be attributed to improved overall compliance and an 11.7% increase in the number of licenses including 261 new and 1,423 renewed licenses.

The General Fund pooled interest earnings were greater than anticipated in the original budget. This resulted from the higher ending fund balance and cash in FY 2011-12, only made possible due to the bankruptcy. This category also includes interest received from the Stormwater Enterprise Fund in repayment of a prior year loan. Collections for the year exceeded the budgeted level by \$271,000.

Program Revenues

- **Fire contracts** - Four local fire districts contract with the City for services and reimburse the City based on a percentage of the City's total actual Fire Department operating costs. Fire contract revenues were \$3.3 million or \$583,000 or 14.9% less than the budgeted amount due to the reduction in fire personnel expenditures implemented as part of the 2012-13 Pendency Plan. That result was unchanged from the projection included in the Third Quarter report.
- **Code Enforcement** - Final collections were consistent with third quarter projections at \$2.8 million, but still under budget by \$378,000 or 11.9%. Code Enforcement revenues were lower than the budgeted \$3.2 million due to the impact of the discontinuation of the Teeter Plan by San Joaquin County. Previously, under the Teeter Plan, the City was reimbursed for all amounts owed through the lien process, regardless of what had been collected. Under the new system, the City is reimbursed only when and if monies are collected by the County. It was very difficult to estimate the impact of the change going into this fiscal year absent information on collection rates under the Teeter Plan. Police Department staff used what was thought to be a conservative estimate that the City would collect 40% of the amount liened.
- **Fines & Forfeitures** - The third quarter report projected this category would end the year \$365,000 below budget due to reductions in traffic and parking citations, criminal fines and a prior year correction in DUI fines by San Joaquin County. Higher than expected payments brought on by increased collection activities in the final quarter of the year resulted in revenue receipts almost equal to the budget of \$1.5 million. In addition, a change in the recording of accounts receivable not previously projected added \$518,000 to this category, bringing the total to just over \$2.0 million or \$543,000 over budget. In FY 2012-13 the full parking ticket accounts receivable was recorded with a separate allowance for uncollectible accounts reducing the receivable instead of recording the allowance net of uncollectible accounts as in previous fiscal years. The \$518,000 increase in the receivable is offset by a \$(395,000) allowance for uncollectible accounts in the Misc. Other Revenues category.
- The allowance for uncollectible accounts, shown as a reduction to revenues in the Misc. Other Revenues category was greater than the budget estimate of \$200,000.

Indirect Cost Allocation - Indirect costs (City-wide administrative overhead) recovered by the General Fund in FY 2012-13 were less than projected by \$329,000 or 6.8% because federal programs were not charged as budgeted, and capital project expenses were 14% lower than previous years. The

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City is in the process of preparing a request for proposal in order to solicit firms experienced in preparing basic cost allocation plans that are in compliance with guidelines and to provide further review of costing methods used in order to improve the distribution and recovery/reimbursement of these costs.

Reimbursements - As projected in the third quarter update, Police Reimbursements are well above budgeted levels (\$370,000) as a result of several multi-agency enforcement missions and the ability to receive reimbursement for overtime hours incurred. These revenues from agencies such as the FBI and ATF are offset by an increase in overtime expenses within the Police Department, particularly in the Special Investigations Section.

Rents/Leases/Concessions - The Municipal Utilities Department (MUD) pays rent for use of properties and office space purchased and maintained by the General Fund. The rent is adjusted annually based on market value, depreciation and City overhead costs. A true up for Fiscal Year 2011-12 rent was processed during the fourth quarter increasing the revenue in this category by \$258,000 over the amount projected in the Third Quarter report.

Expenditures

The General Fund continued to experience savings in the fourth quarter of 2012-13 primarily due to lower than anticipated Bankruptcy expenses, reduced support needed by the Successor Agency and vacant staff positions. These savings were only partially offset by a small, previously anticipated increase in debt service administration costs. Preliminary year-end results show General Fund expended \$148.8 million or 94% of the budgeted expenditures as summarized in Attachment A. This represents an additional \$2.6 million in expenditure savings over what was projected in the Third Quarter report.

The 2012-13 Labor Litigation budget of \$2 million was based on the assumption that all labor agreements would have to be renegotiated before they expired on June 30, 2013. Since only minimal modifications were made to most of the labor agreements, attorney and consultant costs were only \$360,000. Of the remaining \$1.7 million, \$825,000 was used for Chapter 9 costs that exceeded the approved budget. The resulting Labor Litigation unused budget is \$828,000. As reported in the Third Quarter report, the savings from the Labor Litigation budget was applied to help support the General Fund's share of bankruptcy costs which were projected at that time to be \$1.5 million greater than the budget at \$5.7 million. In FY 2012-13 the City spent a total of \$7.0 million on the Chapter 9 filing. Not all of this funding came from the General Fund. This was greater than the original budget due to the creditor's aggressive litigation strategy. The General Fund's share of actual 2012-13 bankruptcy costs ended the year at \$5.0 million which was below the Third Quarter projection by \$724,000.

The projected General Fund subsidy for administration of the Successor Agency has been reduced by an additional \$219,000 since the Third Quarter report based on actual expenses related to the winding down of redevelopment activities. The Successor Agency subsidy was approximately half of the budgeted \$1.1 million subsidy because potential legal expenses did not materialize. The dissolution of the former Redevelopment Agency made it difficult to project in 2012 what legal and litigation expenses might be incurred by the new Successor Agency.

The adopted General Fund budget included \$975,000 for anticipated vacancy savings. Actual savings from vacant positions throughout FY 2012-13 was approximately \$5.0 million, with the

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majority occurring in the Police and Fire Departments. The Police Department expenditures were slightly higher than the \$79.1 million projected in the third quarter report, but still represented savings of \$3.4 million from the budgeted level, reflecting the high level of vacancies experienced by that department. The Fire Department experienced additional vacancy savings in the fourth quarter bringing expenses down to \$34.6 million, \$637,000 less than projected in the third quarter report, and \$1.7 million below the budgeted level. The Fire Department had 11 vacancies toward the end of the fiscal year, up 5 from February. Vacancies were filled slower than anticipated due to the complex re-hire process from the lay-off list. The increase in the savings level from that estimated in the Third Quarter report reflected the fact that that projection assumed that a spike in overtime expenses which occurred last year in the fourth quarter would be repeated. Overtime in the fourth quarter was actually 17% below what had been projected. In the third quarter report Public Works was projected to come in on budget but actually experienced savings of approximately \$152,000 at year end.

The City Council, City Auditor, Peacekeeper Program, Arts Commission and Other Administration expenses all came in close to the third quarter projections with less than \$25,000 in additional savings realized. The City Manager, City Attorney, City Clerk, and Economic Development Departments experienced marginal additional savings of \$25,000 to \$35,000 each. The City Manager's Office came in 3.4% under budget saving \$35,000. The City Attorney's Office experienced significant savings compared to budget (\$384,000 or 41.2%) due to several vacancies occurring early in the fiscal year which were not filled for most of the fiscal year due to workload uncertainties and the City's bankruptcy filing. The City Clerk's Office came in 4.8% below budget with \$34,000 in savings. The Economic Development Department was under budget by \$92,000 also due to vacancies that were filled late in the fiscal year and due to attrition of additional staff in the last half of 2012-13.

Administrative Services ended the fiscal year \$279,000 below budget primarily due to continued vacancy savings. The primary sources of these savings came from the vacancies, in a number of positions throughout Accounting, Revenue Services and the Administrative Services Office. Though substantial efforts were made to fill vacancies as fast as possible, the department continued to experience increased turnover towards the end of the year including several retirements. Much of this can be attributed to substantial cuts that were made to compensation in prior years and the huge demands placed on staff due to the bankruptcy and changes within the organization.

The third quarter report projected that Human Resources would save \$385,000 due to vacancies, postponed training and recruitments, reduced legal service needs and cost savings on pre-employment screening services. Savings in Human Resources exceeded this estimate by \$193,000 with total expenses of \$1.3 million. Additional vacancy savings, legal service savings and a Leadership Development Academy budgeted at \$85,000 but not being implemented until next fiscal year accounts for the additional savings.

As noted above, two budget amendments require Council resolutions. The first amendment authorizes adding \$58,059 to increase the General Fund contribution to Debt Service Administration. Staff and overhead costs related to management of City bonded debt is distributed between assessment districts and City funds based on their share of bond issuances. The General Fund's share was underestimated in the Fiscal Year 2012-13 budget. The third quarter report projected this increase would need to be \$68,000 but this amount has been reduced to \$58,059 based on actual debt service administration expenses and allocation of costs to all bond issuances. The second amendment authorizes the retention of the \$3.1 million in PTAF refund revenue in the General Fund Ending Fund Balance as an exception to the Budget Resolution number 2013-06-25-1601-01,

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Section 7. This action would help provide a start in building a source of funding for the many unfunded infrastructure maintenance needs facing the City. This is also consistent with the City's long term financial forecast. The remainder of the additional General Fund ending fund balance would go, as previously authorized, to the Bankruptcy Fund to help offset ongoing expenses required for the Chapter 9 process.

The Contingency Reserve was not spent in Fiscal Year 2012-13. This \$2 million contingency funding is intended for unexpected expenditures or emergencies that, by their very nature, are impossible to predict. The same level of Contingency Reserve funding was included in the Adopted 2012-13 General Fund Budget.

All other General Fund departments not mentioned above ended the year at or slightly below previously projected levels.

The projected \$3.1 million General Fund ending balance, after the \$13 million is transferred to the Bankruptcy Fund per Council direction, is just under 2% of the City's General Fund revenues for that year. This is significantly below the Government Finance Officers Association recommended levels. Again, though, it must be noted that this balance was only achievable because of the \$26 million of reductions made to creditors and retirees through the Pendency Plan assuming the protection of Chapter 9 Bankruptcy and deferral of critical expenditures.

FINANCIAL SUMMARY

Based on the current projections and unaudited year-end data, it is estimated that the City's General Fund ended the Fiscal Year 2012-13 with a \$16.1 positive balance of which \$13 million will be transferred to the Bankruptcy Fund per Council direction. This information will continue to be updated as additional data becomes available.

The following Budget Amendment is recommended to address a shortfall of funding in the Debt Service Administration fund as described above:

Increase General Fund Transfer to 201 Debt Administration Fund

010-0000-992	General Fund Transfer Out	\$58,059
201-0000-492	Debt Administration Transfer In	\$58,059
201-2001-510	Debt Administration Expense	\$58,059

Attachment A - 2012-13 Fourth Quarter Budget Update - General Fund
Attachment B - 2012-13 Revenues - General Fund

Attachment A
City of Stockton
2012-13 Fourth Quarter Budget Update
General Fund - 010 by Program

	FY 2012-2013					
	Approved Budget	3rd Quarter Projection	4th Quarter Year End Projection	% of Budget	Change in 4th Quarter vs. 3rd Quarter	4th Quarter Projection vs. Budget
Beginning Available Balance						
Prior Year AB506/Encumbrance*	\$ 2,713,214	\$ 2,713,214	\$ 2,713,214			
Revenues						
General Tax Revenues	136,112,867	138,239,578	142,282,559	105%	4,042,981	6,169,692
Program Revenues	11,506,189	10,560,789	10,442,026	91%	(118,763)	(1,064,163)
Interfund Reimbursements	7,532,129	8,018,552	8,667,264	115%	648,712	1,135,135
Transfers In	836,528	835,909	835,865	100%	(44)	(663)
	<u>155,987,713</u>	<u>157,654,828</u>	<u>162,227,714</u>	104%	<u>4,572,886</u>	<u>6,240,001</u>
Expenditures						
Programs						
Police	82,593,751	79,071,700	79,233,983	96%	(162,283)	3,359,768
Fire	36,343,178	35,261,468	34,624,106	95%	637,362	1,719,072
Public Works	6,829,011	6,829,013	6,677,431	98%	151,582	151,580
Economic Development	682,744	624,950	590,792	87%	34,158	91,952
Peacekeeper Program	214,065	214,065	210,457	98%	3,608	3,608
Arts Commission	33,327	21,379	21,018	63%	361	12,309
	<u>126,696,076</u>	<u>122,022,575</u>	<u>121,357,787</u>	<u>96%</u>	<u>664,788</u>	<u>5,338,289</u>
Program Support for Other Funds						
Library	3,907,000	3,907,000	3,907,000	100%	-	-
Recreation	2,340,000	2,340,000	2,340,000	100%	-	-
Entertainment Venues	2,637,350	2,637,350	2,637,350	100%	-	-
RDA Successor Agency	1,069,248	750,000	530,842	50%	219,158	538,406
Downtown Marina	47,299	47,299	47,299	100%	-	-
Capital Improvement	575,000	575,000	575,000	100%	-	-
Administration Building	162,000	162,000	162,000	100%	-	-
Golf Courses	502,000	502,000	502,000	100%	-	-
Grant Match	262,000	162,000	2,481	1%	159,519	259,519
Public Facility Fee Admin	25,000	25,000	25,000	100%	-	-
Development Services	1,000,000	1,000,000	1,000,000	100%	-	-
	<u>12,526,897</u>	<u>12,107,649</u>	<u>11,728,972</u>	<u>94%</u>	<u>378,677</u>	<u>797,925</u>
Administration						
City Council	465,512	465,511	456,459	98%	9,052	9,053
City Manager	1,012,874	1,012,874	978,104	97%	34,770	34,770
City Attorney	933,639	574,050	549,152	59%	24,898	384,487
City Clerk	716,199	716,199	682,084	95%	34,115	34,115
City Auditor	597,882	595,806	593,094	99%	2,712	4,788
Administrative Services	3,390,099	3,350,667	3,111,474	92%	239,193	278,625
Human Resources	1,919,124	1,534,224	1,340,872	70%	193,352	578,252
Tax Collection & Election	2,198,755	2,198,755	2,057,508	94%	141,247	141,247
Other Administration	(373,212)	(373,212)	(382,409)	102%	9,197	9,197
Vacancy Savings	(975,618)	-	-	0%	-	(975,618)
Inventory Adjustment	-	-	(49,474)	-	49,474	49,474
Labor Litigation	2,012,358	463,358	359,560	18%	103,799	1,652,799
Chapter 9	4,191,547	5,740,526	5,016,071	120%	724,455	(824,524)
	<u>16,089,159</u>	<u>16,278,758</u>	<u>14,712,494</u>	<u>91%</u>	<u>1,566,264</u>	<u>1,376,665</u>
Debt Service						
	978,560	1,046,560	1,036,619	106%	9,941	(58,059)
Contingency						
	2,000,000	2,000,000	-	0%	2,000,000	2,000,000
Expenditure Subtotal	<u>158,290,692</u>	<u>153,455,542</u>	<u>148,835,871</u>	<u>94%</u>	<u>4,619,671</u>	<u>9,454,821</u>
Net Annual Activity	<u>(2,302,979)</u>	<u>4,199,286</u>	<u>13,391,843</u>			
Proj. Ending Available Balance	<u>410,235</u>	<u>6,912,500</u>	<u>16,105,057</u>			

* The Beginning Balance has been adjusted to include AB506 and encumbrance balances from prior year.

Attachment B
City of Stockton
2012-13 Revenues
General Fund - 010

	FY 2012-2013				
	Amended Budget	3rd Quarter Projection	Year End Projection	Variance vs. 3rd Quarter	Variance vs. Budget
General Tax Revenues					
Property Taxes					
Property Taxes	\$ 25,587,100	\$ 26,280,000	\$ 26,326,096	\$ 46,096	\$ 738,996
In-Lieu of Motor Vehicle Fees	17,299,000	17,307,349	17,307,349	-	8,349
Prior Year Admin Adjustment			3,093,428	3,093,428	3,093,428
	<u>42,886,100</u>	<u>43,587,349</u>	<u>46,726,873</u>	<u>3,139,524</u>	<u>3,840,773</u>
Sales Tax					
75% Point of Sale	27,896,856	28,330,077	28,682,711	352,634	785,855
25% County ERAF Backfill	9,799,434	9,937,923	9,937,924	1	138,490
Proposition 172	1,217,200	1,270,000	1,298,885	28,885	81,685
	<u>38,913,490</u>	<u>39,538,000</u>	<u>39,919,520</u>	<u>381,520</u>	<u>1,006,030</u>
Utility Users Tax					
Water	3,121,400	3,246,000	3,370,767	124,767	249,367
Electric & Gas	17,296,500	17,059,000	17,199,134	140,134	(97,366)
Cable	1,887,000	2,333,000	2,295,378	(37,622)	408,378
Telecommunications	9,182,100	9,152,000	9,075,454	(76,546)	(106,646)
	<u>31,487,000</u>	<u>31,790,000</u>	<u>31,940,732</u>	<u>150,732</u>	<u>453,732</u>
Franchise Tax					
PG&E	1,871,700	1,843,600	1,838,485	(5,115)	(33,215)
Cable/Video	2,144,000	2,203,000	2,225,238	22,238	81,238
Waste Haulers	7,245,000	7,549,000	7,612,801	63,801	367,801
	<u>11,260,700</u>	<u>11,595,600</u>	<u>11,676,524</u>	<u>80,924</u>	<u>415,824</u>
Business License Tax	9,235,000	9,125,000	9,168,078	43,078	(66,922)
Hotel/Motel Tax	1,811,000	1,975,000	2,005,668	30,668	194,668
Document Transfer Tax	530,000	456,000	458,431	2,431	(71,569)
Motor Vehicle License	-	150,000	125,724	(24,276)	125,724
Interest	(10,423)	22,629	261,009	238,380	271,432
	<u>11,565,577</u>	<u>11,728,629</u>	<u>12,018,911</u>	<u>290,282</u>	<u>453,334</u>
Program Revenues					
Fire Contracts	3,923,678	3,340,676	3,340,676	(0)	(583,002)
Code Enforcement	3,176,300	2,816,658	2,798,483	(18,175)	(377,817)
Charges for Services	1,963,786	1,871,947	1,898,117	26,170	(65,669)
Fines & Forfeitures	1,480,600	1,268,176	2,023,403	755,227	542,803
Revenues from Other Agencies	758,000	853,918	911,060	57,142	153,060
Licenses & Permits	371,825	379,115	385,061	5,946	13,236
Misc Other Revenues	(168,000)	30,298	(914,775)	(945,073)	(746,775)
	<u>11,506,189</u>	<u>10,560,789</u>	<u>10,442,026</u>	<u>(118,763)</u>	<u>(1,064,163)</u>
Interfund Reimbursements					
Indirect Cost Allocation	4,850,000	4,850,000	4,520,575	(329,425)	(329,425)
Workers Comp Reimbursement	-	-	-	-	-
Refunds & Reimbursements	173,383	452,674	1,173,127	720,452	999,744
Rents/Leases/Concessions	2,508,746	2,715,878	2,973,562	257,685	464,816
	<u>7,532,129</u>	<u>8,018,552</u>	<u>8,667,264</u>	<u>648,712</u>	<u>1,135,135</u>
Transfers In					
Transfers In				-	-
From Technology Fund - 502				-	-
From Parking for Debt Service	836,528	835,909	835,865	(44)	(663)
	<u>836,528</u>	<u>835,909</u>	<u>835,865</u>	<u>(44)</u>	<u>(663)</u>
Total Revenues	\$ 155,987,713	157,654,828	\$ 162,227,714	\$ 4,572,886	\$ 6,240,001
% Change from Prior Year	-3%	-2%	1%		

Resolution No.

STOCKTON CITY COUNCIL

RESOLUTION APPROVING AMENDMENTS TO THE 2012-2013 ANNUAL BUDGET AND AMENDING CITY COUNCIL RESOLUTION 2013-06-25-1601-01 TO PROVIDE FOR RETENTION OF \$3.1 MILLION OF ENDING FUND BALANCE IN THE GENERAL FUND

Fiscal Sustainability is one of the City Council's goals; and

The City Council adopted the 2012-2013 Annual Budget on June 26, 2012, based on implementation of the Pendency Plan with \$26 million in reduced payments to creditors and retirees; and

The City Council filed for bankruptcy protection on June 28, 2012; and

The City Council adopted the 2013-2014 Annual Budget on June 25, 2013, and resolution 2013-06-25-1601-01 authorized the unencumbered ending available general fund balance as of June 30, 2013, to be transferred to the Bankruptcy Fund for use toward Chapter 9 project management, litigation, and negotiations with creditors, with remaining funds available to pay settlements for claims; and

The City received \$3,093,428 in fiscal year 2012-13 from the County of San Joaquin for reimbursement of improperly withheld property tax administration fees; and

In order to prepare the City's financial statements for Fiscal Year 2012-2013 certain budget adjustments must be made and the Council desires to direct staff to make such adjustments; and

By the staff report accompanying this Resolution, and incorporated into this Resolution by this reference (Staff Report), the Council has been provided with additional information upon which the actions set forth in this Resolution are based; now, therefore,

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF STOCKTON, AS FOLLOWS:

1. The status report on the 2012-2013 General Fund budget is accepted.

2. The 2012-2013 Annual Budget is amended to include the adjustments to the General Fund budget and inter-fund transfers as follows:

Increase General Fund Transfer to 201 Debt Administration Fund

010-0000-992	General Fund Transfer Out	\$58,059
201-0000-492	Debt Administration Transfer In	\$58,059
201-2001-510	Debt Administration Expense	\$58,059

3. Council Resolution 2013-06-25-1601-01, Section 7 is amended to provide for the retention of property tax administration fee reimbursements in the amount of \$3,093,428 in the General Fund with the remaining unencumbered ending available general fund balance as of June 30, 2013, to be transferred to the Bankruptcy Fund for use toward Chapter 9 project management, litigation, creditor committee expenses and negotiations with creditors, with remaining funds available to pay settlements for claims.

4. The City Manager is authorized and directed to take whatever actions are necessary to carry out the purpose and intent of this resolution.

PASSED, APPROVED, and ADOPTED February 25, 2014.

ANTHONY SILVA, Mayor
of the City of Stockton

ATTEST:

BONNIE PAIGE
City Clerk of the City of Stockton