

INSOLVENCY TO SUSTAINABILITY:  
AN IN-DEPTH LOOK AT BANKRUPTCY RECOVERY FOR CALIFORNIA CITIES

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## **Abstract**

Since the economic downturn in 2008, there have been many municipal city governments across the United States that have filed bankruptcy. In California alone there have been four. The cities of Vallejo and Stockton have completed the process, San Bernardino is still in the process, and the fourth—Mammoth Lakes—did not complete the process of bankruptcy. Cities are the center of our economic development and largely determine our quality of life. Cities provide many key services; including police, fire, parks and recreation, land-use planning, public works, and libraries. This project contains an in-depth analysis on Stockton and Vallejo, tracing their path of bankruptcy from the causes to the actions that place them on recovery. Following the analysis, this project help create a set of recommended Best Practices to help California cities recover from bankruptcy, particularly for the city of San Bernardino which will be used as a test case.

## Acknowledgements

To my mother, without your love and sacrifices, I would be nowhere.

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## Chapter 1: Introduction

Cities are at center of our daily lives. They are where we live, where we work, where we rest, and where we play. If one examines their daily routine one will see the profound impact their city has on their life. For example, below I have illustrated a typical day of my life.

It was a typical Thursday, and I had a packed day. I woke at 7AM, went downstairs, ate breakfast, and read a few papers: local news, Wall street Journal, and the New York Times. I then finished getting ready, and drove 3.4 miles to my university. I stopped half way to work at a commercial town center to get my morning chai latte and read my “Economist” espresso briefing.

After finishing my morning classes and afternoon meetings I proceeded to go downtown to finish the rest of my day at city hall. I found a parking space in my favorite parking garage and I walked over to city hall admiring the urban forest of the downtown area. Five o’clock rolls around and I finish my meetings for the day. Realizing that if I went home I would be stuck in thirty minutes of traffic I decided to kill some time by heading over the main library to exchange some books in my bag. Then to quench my thirst, I walked into a downtown coffee shop across from the Historic Mission Inn Hotel and Spa which serves as the center of the city. After spending an hour and half writing portions of this capstone I headed over to an award winning cupcake shop for something sweet and went home. When I got home I took out the trash cans and proceeded to fall into bed.

Now, one might be asking why in a capstone about municipal bankruptcies I would spend an entire paragraph talking about my day. The simple answer is that using my day as an illustration of the importance a city and its government has on our daily lives. From the start of my day to the very end the city played a role. Their role started while I was getting ready as my city has its own utility agency and thus the power and water I use come directly from the city. While every city may not have their own utility agency, cities are still responsible with contracting utility services out. Continuing with my morning, the city aided with my morning latte through one of most important power of a city, the ability to zone regions for commercial, industrial, and residential use. The city zoned the center for commercial use which allowed the existence of two grocery stores, a dentist, a gym, a gas station, a Starbucks, and many novelty shops.

Following the hours I spent at the university—which itself is a huge asset for the city—I went downtown. If you only have a few hours to visit a particular city, large or small, I encourage you to visit its downtown. As my mentor, the honorable Ronald O. Loveridge, former five term mayor of Riverside City, has said on multiple occasions, “If you want a successful city you must have a successful and walk-able downtown.” Riverside’s downtown is not only walk-able, in many ways I find it quite beautiful. I admire the statue memorials, marvel at the tall trees, walk through the downtown park, and spend time at the historic landmark at the center of town. All of this matters because of the theory of place, which will be explained later in this chapter.

Moving on with my day, I went to the library to exchange books. Riverside city runs its own library system, as many cities do across the nation. Our library provides resources for members of our community. Beyond the simple library books, DVDs, and

computer access, the Riverside library system has 3-D printers, a sound studio, and various computer technologies to help all citizens learn and discover. These resources are particularly useful to lower income communities who rely on libraries for their education, which many—myself included—believe is the silver bullet for poverty. In addition, our library system works in cooperation with our museum system to serve as historians for the city.

In the world of the twenty first century with the powers of globalization, now more than ever, people choose where they want to live. Place matters. A city's organization, services, location, and reputation are some of the many factors that help people decide where they want to live.

Therefore, when discussing politics or policy, people should not be quick to ignore or bypass local governments. In fact, many would argue that local governments impact our quality of life far more than Federal or State government. Thus, when a city is hurting – whether it is your own or someone else's – we should all attempt to figure out both ways to help the city recover and prevent other cities from falling hard times.

Almost nothing is more devastating to a city and its populace than said city having to file for bankruptcy due to financial insolvency. Instances of municipal bankruptcy, particularly of cities, have been prevalent across the nation. This capstone will focus on city government in California that have either completed or are going through municipal bankruptcy since the Great Recession.

Currently, there have been four cities in California that have filed for bankruptcy. The cities are Mammoth Lakes, Vallejo, Stockton, and San Bernardino. Mammoth Lakes

dismissed their case after resolving debt with their creditors and thus will not be discussed further. Vallejo and Stockton will each receive their own chapter that will illustrate their story of bankruptcy as well as lessons and best practices from each city that can be used to help similar cities in similar situations. Following those two chapters, we will then turn our attention to the city of San Bernardino. I will tell the story of their fall into bankruptcy to where they currently stand. In the final chapter I will attempt to illustrate how a few best practices pioneered in Stockton and Vallejo could be applied to San Bernardino.

This capstone is not meant to be a cautionary tale, nor is meant to serve as a place of ridicule or blame for cities that have fallen on hard times. There is far too much literature on that matter, much of which serves little to no real purposes other than allowing the writers to feel superior. Rather, I am writing this project for cities that are in bankruptcy and share legal similarities to CA bankruptcy law in order to provide them with a guide of best practices to help them on the path to recovery.

## **Methods**

The research methods used in this capstone was conducted in two ways. First, in conjunction with the literature review, I read primary source documents focusing on the cities in question. I read news articles, government reports, and council testimony. Following the paper research, I conducted field interviews. I traveled to the cities in question to interview local leaders, public officials, community members, reporters, and editorial writers in order to get a true depiction of the city.

Following the interviews, I compiled all of my data and began to look at what strategies were used and know the effectiveness of those strategies. This was done by looking at economic reports, city investment, and firsthand accounts to determine what methods best aided the city in recovery.

### **Concluding Discussion**

This capstone will conclude with a discussion of the best practices and how they could be implemented in other cities in similar situations using San Bernardino as a test case. In the final section this project will conclude with a discussion on how to expand this research in order to analyze and create best practices for cities across the nation.

Cities matter. They are where we grow up, where we work, where we raise our own children; they are where we live. Cities are the focal point of our daily lives and thus we, as citizens, should do everything in our power to not only ensure their survival, but rather ensure a continued prosperous existence. In many respects that is why I started this project, to help the city of San Bernardino, a city in my own community of the Inland Empire / Inland Southern California.

## Chapter 2: City of Vallejo

On an early December morning, I boarded a flight from LAX to Sacramento airport. Upon arrival I spent ten minutes getting my check bag and my rental car before taking the hour long drive from Stockton Airport to the City of Vallejo.

Before I describe the city myself, I would ask the reader to picture what a bankrupted city looks like and to keep that in mind as I describe Vallejo. Almost instantly, after crossing into the city limits, I knew I entered the city of Vallejo. The potholes were so prevalent that I was sure I would damage the car's suspension if I were to travel at normal speeds. Throughout the city, dilapidated buildings were semi-prevalent and even more buildings were boarded up. Upon reaching the downtown, I decided to get something to eat.

I had to walk a couple of blocks before I found an open restaurant. As I sat down to a late breakfast of French toast and a vegetable omelet – one of the best I've ever tasted – I struck up a conversation with the wait staff. According to them, many businesses cannot stay open downtown, and the few that do typically close up by 3PM. I asked him why that was the case, and he responded that many people did not feel safe downtown. The waiter also added that it has gotten slightly better since the city exited bankruptcy. Apparently, the city was able to find some money to have officers move the homeless, who were drinking on the sidewalks, out of the downtown.

After breakfast I decided to take my camera and walk through the downtown. The amount of store fronts that were vacant seemed innumerable<sup>1</sup>. While there were a handful

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<sup>1</sup> Appendix A

of open shops none of them were particularly busy. Many of the vacant shops were padlocked, and some were boarded up.

### **The fall of Vallejo**

My first interview was with the then Mayor of Vallejo, the Honorable Osby Davis. He has lived in the city for almost 69 years. The first question I asked was one he has been asked numerous times during his tenure in office, which was, “How did the city fall into bankruptcy?” The simple explanation was a combined inattention to finance and unwillingness to deal with proposed crises as they came about.

According to the Mayor, there was a study commissioned in 1992 to determine the financial long term stability of the city. The team was comprised of accountants, Bankers, community business, and community leaders.<sup>2</sup> They examined projected revenue, expenditures, salaries, and expected raises. The committee concluded that unless work was done to modify city employee contracts, the city would need to file bankruptcy by 2010. The council decided to bury the report. After examining the report during our meeting the report appeared sound. In fact I would argue the city only fell into bankruptcy in 2008 instead of 2010 due to the Great Recession.

In 2007, the political situation of the city was chaotic at best.<sup>3</sup> Public employee unions were fighting with council over their agreed upon raises. According to a high ranking official in the City Manager’s office, the city had approved a memorandum of understanding (M.O.U.) with workers that automatically set salaries for public safety.

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<sup>2</sup> Refer to Appendix E

<sup>3</sup> Ibid

This allowed the general fund to be depleted without paying other major city services. In addition, the M.O.U. had binding arbitration leaving either mutual agreement or municipal bankruptcy to change the terms. Professional staff gave advice for cuts which angered the council, thus creating infighting. The council was fighting amongst themselves, ensuring the absence of any unified front.

Looking purely at the numbers, the city should have filed bankruptcy, but there was no political will for such a declaration. In June of 2007, the council passed a budget which they knew would fall into the red.<sup>4</sup>

The following municipal elections replaced two city council members and elected Osby Davis as Mayor. For the first six months the new administration attempted to renegotiate with police and fire unions, but was unable to come to an agreement.<sup>5</sup>

### **Citizen Participation**

Vallejo is a diverse city. The demographics are 26% Latino, 24% African American, 25% Filipino, and 25% other.<sup>6</sup> When filing for bankruptcy, everyone had an opinion, but the public involvement was minimal. No one really understood how bankruptcy would go.<sup>7</sup> In addition, Vallejo was the largest city at the time to file for bankruptcy, and thus no one truly knew what to expect. However, the public understood the state of the city and supported the bankruptcy filing.

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<sup>4</sup> Refer to Appendix E

<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Ibid

## **Cut Services**

When a city goes into bankruptcy, they need to make cost cuts toward their daily operating budget. One of the first set of departments cut, was police and fire. The fire department closed three stations. The police department went from 130 to 77 commissioned officers. In addition, the police and fire department were barred from purchasing new vehicles or equipment.

The street and road maintenance was moved to general funding, which essentially cut the program entirely. City maintenance was dramatically reduced.<sup>8</sup> The city's economic development department was cut down to one person.<sup>9</sup> The library system suffered. While the county operates the library system, they used city buildings and with the lack of maintenance, parts of the library were in disarray. In addition, the city cut its contribution of \$500K to the library system as a whole. The city also cut all \$500K that was allocated yearly to youth recreation.

## **Reflection on a Suffering City**

At the beginning of this Chapter, I asked the reader to imagine a bankrupted city. In my view, the description above is a standard image. A bankrupted city is one with broken roads and buildings. It is a city without recreation, without a fully functioning

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<sup>8</sup> Ibid

<sup>9</sup> Ibid

library, and a reduced transit and infrastructure system to allow people to move around with. It is a city where due to lack of police and fire, people do not feel safe. However, the purpose of this was to bring back the city. Therefore, in order for a city to recover, we must first determine its assets.

### **Resources of the City**

While I was walking downtown I noticed that while the store fronts were mostly vacant, the buildings were architecturally quite beautiful<sup>10</sup>. However, according to Mayor Davis, there is not much transportation into downtown.<sup>11</sup> In addition, prior to the bankruptcy filing, the city was able to secure the building of a fiber optic network.<sup>12</sup> Given that Vallejo is one ferry ride into the bay area, it has the potential to become the location for tech start-ups that do not have millions on capital for closer office space. The city of Vallejo has a port which has increased in activity since the bankruptcy filing, thus giving an increase in city revenue from the shipping business.

According to a high ranking employee in the city manager's office, another resource for the city is marijuana sales. The city of Vallejo has ten licensed medical marijuana shops with the city imposing a ten percent tax. The revenue from the sales has been \$2.4 million annually with that number expecting to rise as recreational marijuana becomes legal. In fact, while sitting in the waiting room for city hall, I entered into a conversation with a city council person and began discussing with a staffer about touring

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<sup>10</sup> Refer to Appendix A

<sup>11</sup> Refer to Appendix E

<sup>12</sup> Ibid

a growing factory which desired to expand into the city. The expanded factory has the potential to bring in middle class jobs and an increase in tax revenue for Vallejo.

### **Accomplishments in Bankruptcy**

The city has been able to accomplish quite a few feats while going through and exiting the bankruptcy process. First, the city has entered into negotiations to modify public employee salaries and benefits with the fire department union being the most forthcoming. Second, it seems the city has regained the trust of its residence. In the past two election cycles, the electorate imposed a one cent sales tax on themselves. The money is sent to a special fund to ensure its correct use for city maintenance. The tax had a \$10.2M revenue in its first year, but now the number is hovering around 14.2M annually.<sup>13</sup> Lastly, the city electorate recognized the benefit of this tax and removed the ten year sunset on it, and as a result Vallejo will benefit from this tax for the foreseeable future.

Since the city exited bankruptcy, they have shown signs of recovery, albeit a difficult recovery. The city has restored its police force to 124 commissioned officers. There is a new fleet of police cars and a new fire truck and two of the closed fire stations have reopened. In addition, the police department has been given a budget increase for both equipment and de-escalation training to reduce the frequency of police over-use of force.<sup>14</sup>

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<sup>13</sup> Refer to Appendix E, City Manager Section

<sup>14</sup> Refer to Appendix E, City Mayor Section

The economic development department now has six full time employees thanks to a Measure B tax<sup>15</sup>. Mare Island on the waterfront has seen a dramatic increase in jobs. In addition, construction on the water front has increased the following the city's downtown renovation plan. The downtown renovation plan serves to help foster business toward the downtown. Unfortunately, since there is a lack of interest in the downtown the city has begun to build from the water front inward. Essentially, they plan to build up commerce block by block from the beach front into the center of downtown. While they have a long way to go, there do seem to be promising businesses starting up a block away from the waterfront and moving further inland.

Another accomplishment is the creation of Sol-Tran, the revamped public transit program with state-of-the-art natural gas and electric busses<sup>16</sup>. In addition, because Sol-Tran is county-run, it divested the cost from the city and increased efficiency with transit programs of other cities in the county.<sup>17</sup> The city has restored \$250K in annual funding for the library system in order to restore some services, and another \$250K has been restored for youth recreational activities.<sup>18</sup> Lastly, the city and the county have created a joint venture titles "Sling 360," which plans to develop 257 acres of land for recreation, commerce, and entertainment.<sup>19</sup>

### **Bankruptcy difficulties and set backs**

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<sup>15</sup> Refer to Appendix E, City Manager Section

<sup>16</sup> Refer to Appendix E, City Mayor Section

<sup>17</sup> Refer to Appendix E, City Manager Section

<sup>18</sup> Refer to Appendix E, City Mayor Section

<sup>19</sup> Ibid

Of course even among all the accomplishment, the city is still suffering from bankruptcy beyond the dramatic initial cut in services. Many of the setbacks came from the effects bankruptcy had on city professional staff. Initially, there was no stable city management. Following the entrance to bankruptcy, one City Manager was fired and for two years the city had two back-to-back interim managers. In response, many professional staff members moved on to other cities, thus leaving the city with even more of a skeletal structure than after the initial cuts.

One of the largest setbacks for the city is the stigma surrounding bankruptcy. The city has no hope of borrowing in the near future, thus getting capital from bonds for projects is not possible. In addition, the stigma goes beyond the government. Residents do not want to divulge they are from Vallejo in fear of being associated with the “bankruptcy” city.<sup>20</sup> In addition, the city’s human capital is not on par with the job market. One can argue that one of the most important resources for the city is its people. The city does have a 200K work force, but their workers are not trained for the needs of modern business. Many residents are forced to work out of the area in lower service sector jobs, and professional workers lives outside the city.<sup>21</sup>

### **Looking Forward and Lessons Learned**

During my interviews I always made a point to ask where each interview sees the city in the next five years. Both the former mayor and city official believe the future for Vallejo is bright. The Measure B funds for important projects, the one cent sales tax for

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<sup>20</sup> Refer to Appendix E, City Manager Section

<sup>21</sup> Ibid

maintenance, the increase in general sales revenue, and the added projection revenue for marijuana sales give the city the opportunity to grow.

However, city officials do recognize that missteps could lead the city back into bankruptcy. Therefore, the city manager's office in cooperation with the mayor's office uses a five year budget plan when proposing new initiatives.<sup>22</sup> The budget plan gives projected revenues and cost obligations that stem from current numbers. Thus, new initiatives or any increase in spending must balance every year in the five year projection before the city manager can approve it. In addition, the mayor of Vallejo has strongly hinted that the continued success of the city will require a strong city manager. According to a high ranking official in the city manager's office, it is recommended by professional staff that cities facing bankruptcy should not be afraid of making bold choices.<sup>23</sup> Spending cuts are a necessary evil, and professional staff is the most likely group to make spending cut recommendations, void of political agendas. The cuts will hurt the public in the short term, but in the long term it will stop the bleeding and allow the city to recover. In addition, the city manager's office recommends that all cities should have a five year plan, and cities falling on hard times should consider creating a ten year budget-projection plan. However, I would argue that Vallejo's projections do not go far enough even with a ten year projection plan. As I will discuss in the next chapter, I would recommend the budget projection system used by the city of Stockton.

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<sup>22</sup> Ibid

<sup>23</sup> Ibid

### **Chapter 3: City of Stockton**

The city of Stockton is probably the most well-known city in California to file for bankruptcy at the time of filing. The factors that led the city into bankruptcy date back over three mayoral administrations. In addition, the city of Vallejo and Stockton share a location commonality as they both are near the bay area. Therefore, once I completed my time in Vallejo I spent the next few days in Stockton.

Upon entering the city, the first thing I realized was that it far larger than Vallejo. The population size of Stockton roughly equates to my home town of Riverside, California. The downtown, while void of much traffic, was far less run-down or vacant as compared to the city of Vallejo. However, Stockton much like Vallejo did have its share of potholes and its urban forest appeared to be completely dead. Unfortunately, the outward appearance of Stockton did not illustrate that the cuts they made were far worse than those in Vallejo, and the story behind their bankruptcy is far more interesting.

#### **The Perfect Storm: the story behind bankruptcy**

According to municipal policy expert Robert Benedetti Stockton's financial issues can be stretched back three administrations. The first administration to falter was under Mayor Joan Darrah. During her administration a new city manager was hired who recommended increases in city employee salaries, benefits, and pensions.<sup>24</sup> At the time the increase were not a major issue, but later proved to be a significant stress on city resources.

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<sup>24</sup> Benedetti

The following mayor was Gary Podesto. Mayor Podesto proposed many capital improvement projects that would lead to the city's downfall. These projects included water front development, downtown redevelopment, the creation of a municipal theater, and the creation of a ball park.<sup>25</sup> In addition, when opening the municipal theater, the city paid Neil Diamond one million dollars to perform on opening night.<sup>26</sup> While I would normally agree that capital developments help cities, the development in [insert noun here] were both ill planned and were almost entirely constructed using unaffordable debt.<sup>27</sup> The last mayor, Mayor Edward Chaves who was the former police chief, began focusing heavily on crime. This had two effects. First, it allowed some neglect in budgetary concerns as issues became prevalent. Second, Mayor Chavez increased the budget of the police department which increased the over expenditures in the city's budget. The increased budget was also affected by outside forces.

The first outside force was the passage of proposition 13. Prop. 13 in California limited the increase of property tax which was a large portion of city revenue. In addition, like most cities in California, Stockton also suffered when Governor Brown removed redevelopment agencies that were funded by Prop. 13 money. Without these agencies, cities were not able to develop new projects and had trouble make debt obligation payments that would have been funded through these offices.

The second outside factor came from the Great Recession. As a result of the recession, many cities across the United States experienced a loss of revenue for the city.

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<sup>25</sup> Ibid

<sup>26</sup> Fitz Interview, Appendix F

<sup>27</sup> Benedetti

According to reports Stockton lost 25% of its revenue within the first quarter of the recession.<sup>28</sup> In addition, the Great Recession began to affect investors; the city lost its credit line which served as the nail in the coffin for the city's solvency.

### *Structural Issues within the City*

Beyond the conscious overspending and outside factors, Stockton has structural overspending built into its day-to-day operations. In part, the salary overspending stems from a long existing M.O.U. According to two different city reporters the M.O.U. for police and fire set salaries to the next ten comparable cities by population which dramatically inflated public safety salaries.<sup>29</sup> Second, the city charter had a clause that ensured a minimum staffing requirement for Fire Department. According to the charter the fire department required a minimum of 75 Fire fighters on duty per shift which was more than was required for many shifts.<sup>30</sup>

In addition, the benefits for retired employees were excessive at best. The city agreed to lifetime medical benefits on top of employee pensions.<sup>31</sup> The estimated unfunded liabilities from health care benefits and pensions are at \$540M. In response to all these crises, the city did not attempt to limit debts, but rather the city doubled down and took out another \$125M in bonds while operating \$19M per year over their budget.<sup>32</sup> Then Stockton fell into default after the Great Recession and their credit line was depleted.

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<sup>28</sup> Fitz Interview, Appendix F

<sup>29</sup> Ibid

<sup>30</sup> Ibid

<sup>31</sup> Refer to Appendix F, City Manager Section

<sup>32</sup> Ibid

## **Going into Bankruptcy**

Following Vallejo's bankruptcy, the state of California passed AB 506 which required all cities seeking bankruptcy to enter into pre-trial closed door negotiations with all creditors, particularly with public employee unions. Stockton was the only city to use these negotiations, as San Bernardino had to file an emergency case in order to maintain daily operations. The negotiations were by and large successful. All but one creditor, Templeton investments, settled prior to trial. Templeton challenged the bankruptcy state that they should be paid before CalPERS retirement obligations. The court ruled that pensions fund did not have to be paid, but cities could choose to pay them over other creditors. In the end, Templeton Investments was forced to take fourteen cents on the dollar.

## **Cut Services**

Unfortunately, in order to pay back debt, some services must be cut and slowly restored. Similar to Vallejo, Stockton had to make dramatic cuts. Many police officers were laid off, which corresponded with an increase in gun violence within the city. A quarter of city employees were laid off, which according to Stockton's city manager caused an extremely low moral combined with a drainage of young talent.

One of the first services cut was the Fair Oaks library, which services the most economically disadvantaged people in town.<sup>33</sup> The urban forest crews went from six full

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<sup>33</sup> Ibid

teams to one, which instead of maintaining the trees now primarily remove the dead ones. The public swimming pools are in disrepair, and the parks and recreation department has lost a majority of its budget. Out of 13M needed annually for street repairs only 3M is being allocated which leads to the increase in potholes.<sup>34</sup>

The cuts took place in waves, which decimated city staff morale. Employee's lost resources, had a cut in pay, and a sense of embarrassment when filing for bankruptcy. This damage to moral led to an even further decline in productivity, which led to a vicious cycle of low moral leading to lower productivity. The city of Stockton has been considered service insolvent for the longest time, and while the city is now able to pay its bills, they are not able to provide basic services needed to support their community.

### **Leading the City into Recovery**

The dominant factor that helped Stockton out of bankruptcy was the pre-trial negotiations. All of those agreements combined with the Templeton Settlement allowed the city to quickly create its readjustment plan. While the plan does make city pay its debts over decades, it allows the city to stabilize itself and start restoring services.

In addition, the people of Stockton – now trusting their government—passed measure H and measure A. Measure H changed the city charter by removing the minimum staffing requirements. Measure A was a once cent sales tax that allocated to two different funds. A three quarter cent tax goes to having 120 more commissioned police officers over a three year period.<sup>35</sup> In addition, measure A also gave police officers

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<sup>34</sup> Ibid

<sup>35</sup> Refer to Appendix F, City Manager Section

an 11% increase in salary across the board.<sup>36</sup> The raise was created to help with the revolving door that has already affected the police department since bankruptcy because many officers left for better working conditions and pay.

The last one quarter cent tax from measure A went to the city's recreational funding. With the increase in revenue, the city decided to re-open the Fair Oaks library. According to the city manager it would cost around \$500K per year to operate the library for 25 hours of operation per week.<sup>37</sup> The council's choice to re-open the library was against the recommendation of the city manager. These kinds of policies could cause the city to become insolvent again if they cannot maintain the political will for fiscal discipline.

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<sup>36</sup> Ibid

<sup>37</sup> Ibid

## Chapter 4: City of San Bernardino

### Profile of the City

The city of San Bernardino is one of the largest cities in Southern California, “with a population of about 210,000 residents.”<sup>38</sup> San Bernardino is one of the oldest cities in California, dating back to the 1800’s where Spanish missionaries first established settlements, and the city became officially incorporated in 1859. San Bernardino’s total population in 2014 was 212,721; 63.6% of the population was Hispanic and as a whole, 46% of the city’s population uses Spanish as their primary language.<sup>39</sup> The language barrier adds to the difficulty in raising civic engagement within the city of San Bernardino, since much of the populace cannot obtain the information discussed in local media.

Home ownership rates in the city are deplorable. In 2014, only 50.5% of residence owned their homes thus leaving 49.5% of the city’s homes as rental properties. The lack of homeowners as residence, combined with the recession, has dramatically lowered the number of improvements and renovations for city homes. The number of residential permits issued over a fourteen year period peaked in 2005 at 473 permits issued, but in the 2014 the city reached only 45.<sup>40</sup> This means that homeowners invested very little in their properties for improvement.

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<sup>38</sup> “A Perfect Storm” by Frank Shafroth and Mike Lawson page 2

<sup>39</sup> Southern California Association of Governments. “Southern California Association of Governments’ (SCAG) Regional Council: Profile of the City of San Bernardino” page 3

<sup>40</sup> Southern California Association of Governments. “Southern California Association of Governments’ (SCAG) Regional Council: Profile of the City of San Bernardino page 12

A study was done from 2007-2013 which studied the number of retail, construction, manufacturing, and professional management jobs in the city of San Bernardino. Manufacturing jobs went from 5,244 jobs in 2007 to 3,061 in 2013, construction jobs went from 4,607 in 2007 to 2,482 in 2013, retail jobs went from 10,889 in 2007 to 8,755 jobs in 2013, and professional management jobs went from 11,737 in 2007 to 10,482 in 2013.<sup>41</sup> In combination with the fact that 70.3%<sup>42</sup> of the population commute to other cities for work, making it the highest within the area, we can infer that the availability of jobs within the City of San Bernardino are disgraceful. 65% of the population earns less than \$50,000 a year, and median income for the city was \$36,008 in 2014. 33% of San Bernardino's population earns less than \$25,000 in combination with the number of people per household, using the federal income poverty level formula, 29.7% of their population live below the poverty line.<sup>43</sup>

One of the major revenues for cities comes from their percentage of the local sales tax. In a study from 2001 to 2013, the city's retail sales went from a high of \$3,457,000,000 in 2005 to a low of 1,858,000,000 in 2009 before finally leveling off at 2,098,000,000 at the conclusion of the study in 2013. The city lost 39.3% of their retail sales between 2005 and 2013<sup>44</sup> and as a result, the city started to lose a viable way to gain income. The lessening of sales illustrates how retail jobs are being lost. In addition, the

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<sup>41</sup> Southern California Association of Governments. "Southern California Association of Governments' (SCAG) Regional Council: Profile of the City of San Bernardino page 22-24

<sup>42</sup> Southern California Association of Governments. "Southern California Association of Governments' (SCAG) Regional Council: Profile of the City of San Bernardino page 19

<sup>43</sup> Southern California Association of Governments. "Southern California Association of Governments' (SCAG) Regional Council: Profile of the City of San Bernardino page 10-11

<sup>44</sup> Southern California Association of Governments. "Southern California Association of Governments' (SCAG) Regional Council: Profile of the City of San Bernardino page 27

low retail sales within the city could also be used as a predictor for prospective businesses to not want to locate within the city.

Adding to low performance of current retail businesses and an unstable city government, businesses may fear locating within San Bernardino because of the crime rate; the violent crime rate within the city in 2012 was 92 per 10,000 people in comparison to the highest cities: Oakland at 199, and Stockton 155.<sup>45</sup> The city has been seen as the “ghetto” area within the inland empire. As a result, shoppers and businesses alike tend to refrain from working within the city. Many migrate toward places like the Ontario Mills Mall or Riverside’s Tyler Mall.

A huge resource for a city is its level of human capital, or in simpler terms a city’s level of skilled workers. Education is a major problem for the city as only 66.7% have a high school degree and only 11.2% of age 25 and over have a Bachelors degrees.<sup>46</sup> The lack of a skilled workforce in the city could be another reason why businesses choose not to locate within the city. In addition, unskilled labor typically leads to lower income levels than skilled labor. As a result, the population within the city of San Bernardino will have less money because of their unskilled laborers. Less income means less spending by consumers which leads to a downturn in the economy.

### **Story of Bankruptcy**

San Bernardino entered into bankruptcy due to a failure in the politics of governance, large unions wielding too much power, and economic downturns from the

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<sup>45</sup> “A Perfect Storm” by Frank Shafroth and Mike Lawson page 7

<sup>46</sup> Southern California Association of Governments. “Southern California Association of Governments’ (SCAG) Regional Council: Profile of the City of San Bernardino page 30

loss of major employers and problems stemming from the recession. Over the years, I have been describing myself as institutionalist; I believe the way a system is set up matters. The city charter of San Bernardino was noted as “I have never seen a more dysfunctional design for a city government than the provisions contained in the city charter. It is an understatement to say it is designed to diffuse power and prevent sound management, accountability and transparency. It actually seems worse than the old commission from the government with all its fiefdoms. At least there, you could hold a commissioner accountable.”<sup>47</sup>

Section 186 identifies the salaries set for public safety employees for all California cities with populations between 100,000 to 250,000<sup>48</sup>. The main problem with selecting cities that only compare in size is the fact that by definition the “formula” does not account for a city’s income levels. From the ten comparable cities within California, one of the average incomes per capita is \$62,118 and when compared to the city of San Bernardino, we see that the average income per capita is significantly less, \$35,111<sup>49</sup>. The combination of the automated salary scales and the city’s 2.5% at 55<sup>50</sup> retirement package created a financial struggle for the city to maintain police and fire services. This is due to the public safety salaries absorbing 75% of city’s budget<sup>51</sup>.

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<sup>47</sup> “A Perfect Storm” by Frank Shafroth and Mike Lawson page 9

<sup>48</sup> Cities similar in size to San Bernardino

<sup>49</sup> Southern California Association of Governments. “Southern California Association of Governments’ (SCAG) Regional Council: Profile of the City of San Bernardino page 10-11

<sup>50</sup> “From suburb to basket case: How California city traveled the road to ruin” by Tim Reid, Cezary Podkul, and Ryan McNeil, Reuters pg. 5: The city will pay 2.5% of employees salary once they reach the age of 55.

<sup>51</sup> “From suburb to basket case: How California city traveled the road to ruin” by Tim Reid, Cezary Podkul, and Ryan McNeil, Reuters pg. 3

Another set of major problems within the city's charter, is the lack of clear definitions for the exact duties of elected officials and the way certain officials are placed into office. The City Attorney, unlike other cities, is elected in the city of San Bernardino, and since the position is not appointed by the mayor's office, vicious politics between Morris and Penman factions was created.<sup>52</sup> When Alejandro Cano spoke on his, and many of his readers, view of the former City Attorney, he said, "60% of voters favored recalling him after 26 years on the job. I think that speaks for itself."<sup>53</sup> In addition, there does not seem to be clear guidelines for the roles of each of the elected officials, and thus a new charter needs to be created that outlines clear guidelines and roles for all public officials.

The recession played a role in the downfall of San Bernardino. 56% of homeowners went underwater on their mortgages, and property tax down 15%.<sup>54</sup> This led to 48% of homes being converted into rental properties. The loss of jobs from Kaiser Steel, Santa Fe Rail Yard, Norton Air Force Base, and other retail jobs that were connected to these major employers, in combination with the recession's additional loss of retail jobs, has modified the city's makeup from a strong blue-collar middle class to a predominantly welfare dependent population. In addition, because of the low income of San Bernardino's residence the amount of capital flowing into its company has stagnated at best. The city needs to enact a new growth plan to fix many its economic problems.

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<sup>52</sup> Ryan Hagen, (San Bernardino Reporter), interviewed by Gregory Blake Hutchins, "San Bernardino Sun", Nov. 10, 2015.

<sup>53</sup> Alejandro Cano (Spanish Speaking Reporter), interviewed by Gregory Blake Hutchins, Nov. 28, 2015.

<sup>54</sup> "A Perfect Storm" by Frank Shafroth and Mike Lawson

San Bernardino's overarching problem, contributing to its poor governance, is the city's poor levels of civic engagement. The low levels of civic engagement are the result of several factors. According to Anthony Victoria, a community reporter, a large reason citizens are not engaged is because they do not have faith in their local government. Too many times the city has backed out on their promises. For example, the city stated they would implement a youth student worker's program for local high school students. However even after numerous reaffirmations, the city reneged their promises.<sup>55</sup> It is important to note that civic engagement does not simply mean voting in elections, but it consists of being somewhat involved within the community. Many of the city's residents are undocumented immigrants, with few participating in the DOCA program, and thus many are afraid to get involved with their community for fear of deportation.<sup>56</sup>

In addition, much of the city's population is in a constant state of migration. This is illustrated by the fact that "nearly 50% of the students are new to their schools each year",<sup>57</sup> meaning that families are constantly moving. The constant change in location prevents the community from building bonds with one another, and thus there is no need for citizens to develop a sense of place for where they live. In order to have a successful recovery, San Bernardino's city government needs to follow lessons on becoming facilitators for citizen run civic programs, similar to the SOUP dinners,<sup>58</sup> mentioned in *Economics of Place*.

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<sup>55</sup> Anthony Victoria Interview done by Gregory B. Hutchins 20 Nov. 2015

<sup>56</sup> Anthony Victoria Interview done by Gregory B. Hutchins 20 Nov. 2015

<sup>57</sup> "A Perfect Storm" by Frank Shafroth and Mike Lawson page 9

<sup>58</sup> Colleen Layton, Tawny Pearson, Lisa Donovan, "The Economics of Place: The Art of Building Smart Communities: SOUP was a set of community dinners facilitated by government actions, but the government did not control them. Government is simply acting as the facilitators and letting the involved community "run the show."

## **Getting out of Bankruptcy**

The city of San Bernardino needs to take several steps in order to place itself on the path to recovery. In December of 2016, the city finally submitted its plan of adjustment in order to exit bankruptcy after four years, the longest of a city in the state.<sup>59</sup> Many creditors will only be getting one cent on the dollar, but the city should soon be on its way to recovery.

### *Structural Changes*

Similar to the previous two cities, in order for San Bernardino to recover, structural changes had to be made. It started with Measure L, which proposed a set of city charter amendments. First, it moved the city to a full council-manager form of government. Professional staff will be running the day-to-day operations of the city, instead of splitting executive authority with the council. In addition, the charter also removes elections for the city attorney, city treasurer, and the city clerk. The second change allowed the removal of infighting. For example, the previous city attorney once came into a city council meeting and declared that he had his own investigators following members of the council.

The new governance structure is a large step in long set of steps of recovery. For the next few years, the city needs to prove that they can maintain their city politic and fiscal discipline. In addition, the city can also begin to help its own assets. The following

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<sup>59</sup> The SB Sun, Quote Article

chapter will illustrate the set of best practices learned from Stockton and Vallejo and will attempt to provide avenues that San Bernardino could use.

## **Chapter 5: Best Practices and Systemic Problems**

Throughout the discussion on bankrupted cities, one can establish a set of best practices and tools available to cities in California. Below is a list of each best practice identifies.

### **Admit the Problem and Make a Plan**

The old cliché is true. The first step to solving any problem is recognizing there is one. A city should recognize that it is in financial trouble, and begin the formal process of bankruptcy. In California, that requires the city to negotiate with creditors before filing, so the earlier the recognition the better the outcome. Stockton, the only city to follow this protocol, ended up achieving all but one settlement from their debtor. San Bernardino was unable to use this program because they had an emergency filing due to not recognizing the problem early enough. In part, the reason San Bernardino was forced to use the emergency filing option was as a result of their systemic governing structural issues.

### **Recognizing Systemic Structural Issues**

Before a city can recover, it must first recognize any systemic problems that were factors in bankruptcy. For example, the city of Stockton had massive overspending problems on capital improvements, public employee pensions and benefits, and the fire department minimum staffing requirements. In the city of San Bernardino, there are many

structural issues that have only recently been reformed. Most of their issues are based in their charter. The automatic salaries of police and fire already spent more than the city's entire revenue. In addition, the city also had an independently elected city attorney who believed he was a prosecutor for the people and thus created infighting for the city government. The infighting was made worse, due to the city council having some executive authority that conflicted with both the office of the mayor and the city attorney.

By recognizing a city's problematic factors, developing a plan to remove them becomes possible. The most recent example is San Bernardino, with the charter amendment removing automatic public safety salaries, and removing elections for the city clerk, city attorney, and city treasurer. While all cities may not need a character amendment, it is important it is important to recognize a city's systemic problems and fix them before exiting bankruptcy.

### **Recognizing and capitalize on your City's Assets**

When a city wants to place itself on the fastest path to recovery, they need to outline assets and determine how to capitalize on them. This would involve an in depth analysis to not only determine city resources, but all resources in the region – public or private – the city can use to attract businesses, tourism, and new residents. For example, in the city of Vallejo they have a port that can be used to move product in the bay area. In addition, Vallejo already has guaranteed fiber optic lines that can be used to entice new tech startups. The city can use those resources to attract businesses and residents, which brings in revenue that city can use to restore services and enact improvements by creating a positive economic cycle.

In the city of San Bernardino there are several unutilized resources that could be capitalized on, but two of them are key to the city's success. The first unused resource is hidden away in the Arrowhead Mountain that gives the city its symbol, and the resource is the Arrowhead Hot Springs Hotel and Spa.

The historic hotel was designed by Arthur B. Benton in 1924. It is an official California historic landmark.<sup>60</sup> According to groundskeepers, each piece of furniture in the hotel is unique. In fact, the cost of construction the hotel equaled the cost of refurbishing it. Some notable guest and owners of the hotel bungalows were Eleanor Roosevelt, Lucille Ball, Judy Garland, Elizabeth Taylor, and Humphrey Bogart. When I toured the facilities, they seemed to be in disrepair. However, with the right investment, the facilities can be restored and open for guests. While some may doubt that refurbishment would help due to the location, I would remind them that Riverside – a neighboring city – achieved an amazing outcome when they facilitated the restoration of Frank Miller's historic Mission Inn.

In addition to the city's hotel, San Bernardino is taking a page out of Vallejo's play book. For any resident in San Bernardino, there seems to be two downtown areas. The first is the actual downtown, surrounded with government buildings, and the second is the commercial area, off of Hospitality Lane. However, Hospitality Lane is simply too far away from the center of downtown that it misses the revenue from people who work or visit the downtown area for business; the city is missing out on sales revenues. Therefore, the city decided to build the downtown up from its one popular block. There is

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<sup>60</sup> Refer to Appendix C

one operating movie theater that is extremely popular with residents. Surrounding the theater are new restaurants, bars, and other forms of entertainment. In addition, there are plans to continue an influx of businesses now that the council has become politically stable. Unfortunately, it is important to note that since some government buildings cover store front windows, preventing easy exposure, there will be difficulty in expanding the commercial element deeper into the downtown area. However, if the city can bring its businesses and restaurants into the downtown area, they can capitalize on the county, city, state, and federal government staff that work in the office buildings there.

Lastly, San Bernardino has a fully functioning international airport that was built with re-development funding before Governor Brown cut the program. However, there have been no commercial airliners using any terminal to this date. Thus, the city itself recognized that asset and became creative with it. Currently, the airport is being utilized by Hollywood Studios to film scenes, and thus the city is able to make some revenue off of its commercial gates. In addition, since Amazon and Stater Brothers have offices in San Bernardino, the private jet hanger is frequently used<sup>61</sup>.

### **Make a Plan and Stick to it**

Every city that wishes to complete the bankruptcy process must create a “plan of adjustment” outlining how they will repay their agreed upon debt obligations. Currently, both Stockton and Vallejo have stated the course, and according to the San Bernardino Sun, the Judge overseeing their case is confident that the city’s new management will be able to do the same.

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<sup>61</sup> Refer to Appendix C

However, a key factor in the success of both Stockton and Vallejo is the adoption of a five to ten year budget proposal. Both cities use these projections when discussing new programs or additional spending for current programs. In addition, Stockton has perfected an analysis for CalPERS projections into their budget, which allows them to accurately project the payment obligations.

Since CalPERS is a large drain on city resources, knowing an accurate payment schedule is extremely helpful when planning the budget. For instance, according to the City Manager of Stockton, the city has now built up a rainy day fund. However, even though the city is still service insolvent, the rainy day fund will be maintained because the budget projections and predicting both a rise in CalPERS payments and a slight drop in city revenue. Therefore, the city manager keeps the rainy day funds intact in order to deficit spend in the near future.

### **The Major Problem Facing Cities**

While analyzing bankrupted cities in California, I discovered a set of issues that are common to each city, and a few of them can be helped through state initiative. The first is the effects of proposition 13. As previously stated, prop. 13 limited property taxes on owners, which in turn limited local government revenue since many of their funds come from property taxes. Second, when the governor removed the redevelopment agencies funded through Prop 13, money many capital projects could not be completed and cities across the state became over extended.

Another major set of issues affecting cities stem from public employee unions. Negotiations between the city and public employee unions, which include Police and Fire

Unions, are held in secret and then the agreements are later made public. This has allowed M.O.U.s that has increased public employee salaries to levels that many low income cities cannot afford. In addition, many of the unions have negotiated lucrative pension and benefits plans. The city of Stockton had life time medical benefits for many of its employees that ended up being a large drain on resources that the unions had to later renegotiate lifetime medical benefits during the bankruptcy's pre-trial stage. In my view, these negotiations should be made public, so that the electorate has a chance to comment publically about civil servant pay. Removing the cloak and dagger with negotiations will also help avoid corruption and lead to a better politic of the city, as seen in San Bernardino. During the times leading into bankruptcy, the police and fire unions were political machines of the city, and since their loss of power during bankruptcy, the city has operated more professionally and more efficiently.

## **Chapter 6: Concluding Remarks and Project Expansion**

When attempting to place an insolvent city on the path to recovery, it is important to recognize that there is no silver bullet. While the best practices in this guide can be helpful, it is important to recognize that many cities are in specific situations whose limitations are not the same as those in California.

For example, in the state of Michigan, the cities of Flint and Detroit have previously gone through bankruptcy. During their time in bankruptcy, both of those cities were assigned an appointed trustee because in the state of Michigan when a city comes insolvent, the state appoints a trustee to make local leadership irrelevant in choice-making. In order to develop a more comprehensive list of best practices, I would begin an analysis on major cities across the country that have gone through bankruptcy since the Great Recession.

I would then separate each city into one of four following categories; cities that received no aid and no oversight, cities that received aid but not oversight, cities that received oversight but not aid, and cities that received both oversight and aid. By separating the cities, we can determine both common best practices for all insolvent cities, and we can determine best practices for each individual category. Thus, we should be able enumerate best practices to aid every kind of city in recovery. In addition, following the analysis of each category, we can determine similar cities in each category to determine which category is best in fostering a city's recovery.

## **Concluding Thoughts**

As I stated when I opened this capstone, cities are at the center of our daily lives. When a city is hurting, it is not helpful to purely blame the local governance and move on. Rather, there should be a collective effort to move the city toward recovery. Our communities determine who we are and how we live; we need to work together in order to help heal it. It is with that ideal that I hope this capstone will serve to help a hurting city one day.

## Appendix A: Photos from Vallejo

\*Note I took all Images for Field Notes in the winter of 2016.



Image of the down town



Empty Downtown



One of many empty storefronts



One of many empty storefronts



The Center of downtown



One of two restaurants in the downtown area, this one is closed on a Monday.



One of many empty storefronts



One of many empty storefronts



One of many empty storefronts



Different angle of the empty storefront above.



Two of Vallejo's very large puppets.



One of many empty storefronts



Example of Vallejo's  
Historic Architecture



Vallejo's historic downtown clock.



Example of Vallejo's  
Historic Architecture



Example of Vallejo's  
Historic Architecture

## Appendix B: Images of Stockton

\*Note: I took all images in the winter of 2016.



Image of a downtown dilapidated building



One of many skyscrapers in the city of Stockton



A vacant downtown storefront.

## Appendix C: Images of San Bernardino

\*Note all pictures taken in winter of 2015



Vacant SB International  
Air Port



Vacant SB  
International Air  
Port



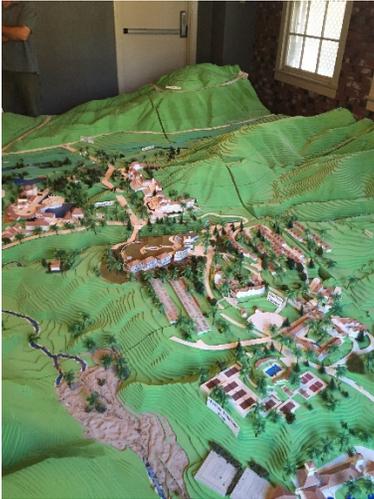
SB International Air Port  
private plane entrance.



The Arrowhead historic hotel and spa downstairs living room



The Arrowhead historic hotel and spa theater room.



The Arrowhead historic hotel and spa possible redevelopment plans.



The Arrowhead historic hotel and spa front entrance.

## **Appendix D: San Bernardino Interviews**

*Interviewee: Ryan Hagen (Reporter for the San Bernardino Sun)*

1) When did you start working for the San Bernardino Sun?

- I started back in 2012.

2) Describe the politics of San Bernardino?

A: It is a divisible city government. There were two philosophies governing the city. City leadership were split in two different categories led by former city mayor Morris and former city attorney Penman. Penman believed in a crackdown method. Wanted to increase police protection and increase enforcement land-lord city codes. In addition, police and fire used the influence to block all changes to the city politic. They did not see the “writing on the wall” about the city’s growing fiscal problems. Thus they were too focused on protection their salaries and benefits that they did not notice that by not changing they were putting everything at risk.

3) Describes the existing problems with media?

A: Agencies need media to provide information. There is not a widely circulated Spanish speaking news outlet which, in my view, can prevent some citizens from participating in local government and community.

4) Where in San Bernardino in the next five years?

A: There is some hope for the city because we are starting to see change. Some business have come back and crime rates have been lowered. A big help is the community of faith, but the deciding factor will be the younger generation. I believe that it is certainly possible for the city to become “great” city.

5) Can the media “help” the city?

A: I do live in the city so since I am around I can look for the “good” news to fight the negative inertia. I can also illustrate events that showcase the importance of why getting involved is important.

6) What about schools?

A: The only information I have on schools is the School District Plan. They invited the whole committee and created a full panel. They tried to get the city aware of the problems in our city, and they created the basic outlines for change.

7) SB International

A: I do not see a future for the airport.

8) Fed and State

A: There is no help by any federal or state aid.

*Interviewee: Anthony Victoria (Reporter El Chicano, part of the IE Community News Group)*

1) Where do you work? Is it a Spanish based paper?

A: I work for IE Community News Group which consist of the Colton Courier and El Chicano. We were started by Gloria Harrison, former UCR students, and we are no longer a Spanish speaking newspaper.

2) In your view what is the reason for lack of community involvement, does it have anything to do with the lack of Spanish speaking news?

- Unfair that people overlook Hispanic issues
- Drivers Licenses
- Large Amounts of undocumented members of society.
- Many are frustrated that media is ignoring events
- DOCA clinics → deferred action
- AB60→ Getting Licenses
- Forms on Health

3) Why is there such a low voter turnout?

- Group of Latinos can vote, but why do they not vote
- Political leaders have not led up to their promises
- Council members and mayor not bringing promised jobs

Second Factor is the large political youth has large amounts of apathy

Comes from economic or environmental background. There is nothing that attracts the youth

Side Notes: The city needs to create an effective PR campaign [get people to come to council meeting]

4) Do you know anything about colleges, or other educational institutions, giving back or retaining students within the city?

A: There are people like Gil Navarro who sits on the SB water board. He helped many recent grads get public jobs and encouraged them to continue their education. In addition, the county has initiated a new STEM program which helps transition high school student to Cal State SB. Lastly, Michael Gallo has SB Unified School District working to build the city up, and he is gaining contacts with aerospace companies to aid in job recruitment for Cal State graduates.

5) How did the city get here?

A: Cronyism. The city was, and is, constantly locked into factions. Prior it was the Penman and Morris Factions. The City Manager tried to be progressive, but is not able to succeed.

6) Where do you see SB in the next 5 years?

A: The city will be climbing out of bankruptcy and on their way to recovery. The mayor has great intentions, but the politics is still in turmoil. However, there is optimism with the younger generation. There are actions with Generation Now, Inland Congregations United for Change and others which aim to help the city. There is a re-vitiation of the arts and millennial have become interested, and some plan to stay within the city by choice

7) Problems with Absentee Landlords?

A: There is a fear of being “kicked-out” because many are undocumented. They do not want conflicts with ICE. There needs to be a better move by the city for housing rights. People need to meet and connect with their neighbors to encourage community involvement.

8) Views on Police and Fire?

A: Some would call them corrupt, but I would just state they have too much power. A lot of candidates get elected by simply gaining the police and fire union endorsements. However, I do believe there is a problem with police and fire do not live in the city. When it comes to police their absence in the city as citizens can create an “us versus them” mentality instead of a “protect and serve” mentality.

9) Role of Media in the next 5 years?

A: We still need to report the TRUTH, but we can focus on the “other” things that take place. Report on individual inspirational stories. Media can report on community events, and take issue with the concerns of the actual community.

*Interviewee: Alejandro Cano (Spanish Speaking San Bernardino)*

1) How did San Bernardino get here, how did it fall into bankruptcy?

A: The economic crisis for San Bernardino began during the Recession of 2008, caused in part by the subprime mortgage crisis. As we know, the Inland Empire was among the nation’s hardest hit by the foreclosure crisis. In fact, the region is still recovering. When California experienced the housing bust, it impacted some of the largest cities, including San Bernardino, which had a lot of buyers signing a disproportionate number of subprime mortgages. The housing bust stopped construction and hence left thousands unemployed. Since the city depend on property and sales taxes to generate revenue, the housing bust meant fewer revenues. The property value fell, unemployment rose, revenues decreased, forcing the city to file for bankruptcy.

2) The city of San Bernardino has such a low voter participation rate, why do you think that is?

A: The answer to why people don’t vote is a mystery, there are however some theories. One of them is that people don’t trust the government, federal, state, or municipal. At local level, people have lost hope on elected officials. They have seen their city go down year after year while top city employees have fill their bank accounts. Another theory is lack of education and information on city issues. Study after study suggest that poor, uneducated people are less likely to vote. In San Bernardino only 11 percent of its population have a Bachelor’s degree or higher and 32.4 percent of its population live in poverty. For some people, missing work to go vote is simply not an option. Last month, of the 77,000 registered voters in the city about 10 percent voted. Most people did it by mail.

3) An overwhelming number of inhabitants of San Bernardino are primarily Spanish speakers. Do you think that the lack of "major news" organizations printing Spanish translations have aided in political decline? In essence, is the information not getting out to the general public because most of the news is in English?

A: The region itself, with more than 4 million residents, almost half of them Hispanic, need more information in Spanish. La Prensa is doing a great job, however, more is needed. La Opinion newspaper used to cover the region (myself), however, the financial crisis forced them to leave. Hoy newspaper in Los Angeles also used to have some

coverage (myself too), but they also left. I do see that as an issue since many Hispanics, mostly immigrants, prefer reading and watching news in Spanish. Then good thing is that many know English. Not having a Spanish TV news network based in the region, and not having a daily Spanish language newspaper is definitely hurting the Hispanic population.

4) What do you think of the police and fire unions and role in city politics?

A; I think they are also part of the problem. Last August, the city just signed a five-year agreement with the police union, which would allow for salary increase. The city is bankrupt and yet police officers are more likely to receive salary increases, where is the logic in that?

5) What is the state of city politics? People use to say it was hostile due to the combative factions of the former mayor and the former city attorney?

A: Watching the meetings were entertaining from a journalistic point of view. At any moment any elected official would say something or do something worth reporting. It was worth having popcorn ready, lots of it.

- What is your opinion of the former mayor his management?

A: He tried; however, did not prevail. When he was elected the first thing he did was enforce Operation Phoenix, which it worked for some time but then crime went up as unemployment rose. His policies did not work. No businessman or company is going to open a place in an insecure city. Unfortunately for him, his legacy was bringing the city down.

- What is your opinion of the former city attorney and his role in city politics?

A: I will say this about that man, 60 percent of voters favored recalling him after 26 years on the job. I think that speaks for itself.

6) Getting back to the civic engagement issue, does the city make any effort to hear the voice of minorities? Do they ever try and do outreach to the Spanish speaking community?

A: The city, through the school district, is trying its best to reach the Hispanic population; however, the city has bigger issues than reaching those who don't vote or who can't vote due to immigration status. The city council does little, in my opinion, to reach the Hispanic community. Having some Hispanic elected officials does help, but is not enough. The city, as most cities, know how to use democracy in their favor. The city would do what's in their best interest, regardless of what minorities think.

7) A large asset for San Bernardino is the fact that they have a state university which houses thousands of students. Does the city make any effort in trying to recruit graduates to stay and work within the city?

A: There is the saying that most city employees don't live in the city. That is yet to be confirmed. However, it makes sense. This is a question I need to investigate too.

8) Where do you see the city over the next 5 years?

A: The City will never recover unless it practices accountability, transparency and efficiency. City officials should stop practicing toxic politics. I have hope for the city, non-profit organizations, the ones that see the need every day, have hope for the city. Teachers and concerned residents have hope for the city. There is a sense of hope; however, unless the city can create jobs, and offer opportunities, decreased crime rates and increase graduation rates, that hope will be that.

- is it a recovering city?

- is it a failed city?

- is the city out of bankruptcy?

A: Unfortunately, based on what I know, and based on past experiences, the City will remain in deep financial crisis.

9) The city has an overwhelming population of renters? The homeowners of those rented homes do not seem to take care of their properties. There has been a claim issued that many residents are afraid to take issue with their land lords because they fear eviction. Some also claim that some residents are undocumented and they fear deportation. Are these claims valid?

A: Yes they are. The City began a program this year where it is pressuring property owners to comply with the rules. Most of the times, those apartments are inhabited by minorities, and most of the times, property owners take advantage of them because they ignore their rights. Talking to some families I learned that sometimes property owners or landlords threat these residents with calling the cops if they complain. This is something the city should definitely work to resolve. The problem is that most of the times these property owners just pay the fines and continue harassing residents.

10) What do you see is the role of media in SB's recovery?

- I fully understand that reporters should report the truth, but is there anything media can do to help SB recover from bankruptcy?

A: reporting about city council meetings, school district meetings, and community events is a must.

11) Please do not take the following question as an accusation, as that is nowhere near my intent. Given the possible parameters you listed in question 10, how well are you accomplishing the task of aiding SB's recovery?

A: I do what I can. I have written about the importance of voting, about election results, about the issue as a whole, including crime, poverty, and financial crisis. I have also done stories on how good the district is doing and how successful some programs at the university level are. I have done business profiles, personal profiles. It is important for people to wake up and begin getting involved in their city. I only hope that my stories motivate people to act. Should I be doing more? Absolutely. I give you my word I will do more.

## **Appendix E: Vallejo Interview Notes**

He has lived within the city for 69 years, his life excluding college.

The city fell into bankruptcy due to an inattention to details and finances.

The city government was unwilling to deal with the proposed crisis as seen.

Had an expectation that all of it would work out on the end.

In 1992 there was a study commissioned on city financial stability

- Comprised of accountants, bankers, community business, and community
- They looked at revenue, expenditures, salaries and raises.
- Conclusion: they concluded that unless work was done they employee contracts would because a bankruptcy in 2010
- The Council Response: Hid the study!

Services that were suspended

- Police went from 130 officers to 77 commissioned positions
- Fire Department closed 3 fire stations
- Street and Road maintenance funding went into the General funding
- The economic development department dropped to 1 person.
- The Public transit was dramatically reduced, because it was also in the red.
- City buildings were not maintained.
- Stop buying new police vehicles and equipment
- Library is run by the county, but the city subsidized it.
- The library was using the city building for free; building maintenance
- The city itself put in 500K into the library system
- 500K for Youth Recreation went to 0.

Political Cooperation

- The Whole situation was chaotic at best
- Mayor Davis was a county supervisor until 2003 when he quit and left politics

In 2007:

- Employer Unions and the Council were fighting
- Council members were fighting with each other
- Council and City Staff were fighting
- In 2007 the city was essentially bankrupt, but no declaration
- The council passed a budget in June 2007 that it knew would fall into the red.

NOTE: During Mayor Osby Davis Mayor Race; had three competing [2 current and 1 former City Council members]; argued they helped cause the problem should they really be the one to fix it. However, that was their argument. He ran for Mayor to bring the city together.

The Mayor does not blame the old council. It's easier to fix the current pressing problem than to focus on the future.

The Mayor and 2 council members were new with the council...

First 6 months in office Mayor Davis tried to negotiate with police and fire for salaries, but this turned out to only be a delay of bankruptcy and not a solution.

These negotiations also never had any fruit, but even if they did it would only delay bankruptcy.

The Public did not engage a lot

When filing for bankruptcy “everyone had an opinion”

- However, the Public was “All-In”

The public formed groups to clean the streets

Public volunteered for Fire Services; helped with the lack of Fire Stations

There was outpouring of citizen support.

Everyone had the opportunity to participate, but no one really knew how bankruptcy would go.

Demographics:

- 26% Latino
- 24% African American
- 25% Filipino
- 25% Other

Next 5 Years

See Vallejo on the Path to Recovery, and ready to Emerge from difficulty.

The level of anxiety of the falling bank into bankruptcy will be hone

But we need to Recognize Today

- Police are not at 124 commissioned officers

- Re-opened  $\frac{2}{3}$  Fire Stations
- 137 miles of street have been paved ; 6M / year for streets
- 250K back into Youth Activities
- 250K back into library spending
- New police cars and new Fire Truck
- Better Equipment and Better Training for Police
- Now there are 6 people on the Economic Development tram
- Buildings are now being maintained.
- 2,500 jobs are now on Mare Island where there was zero
- Waterfront Construction has been moving forward
- Sol-Tran: Public Transit that has been revamped
- State of the Art busses ; natural gas and electric
- Slind 360
  - o Combined with the County; joint venture
  - o Development of 257 acres
  - o Designed for recreation, commerce, entertainment

#### What Resources does the City Have

- There may be architecture of downtown, BUT there is not much transportation
- There is no reason for people to go downtown
- They do have a waterfront. So they are starting there and build up to the downtown; do this block by block.
- They do now have, and are building, a Fiber Network
- Have old conduits but want to move fiber network for the street lights
- These can provide cheaper high speed internet for business; thus bring businesses.

#### County / State Help

- County and State gave no help
- They were legally not allowed to...
- The Mayor does not believe that the laws should be re-written.
- Other Notes
- They went into bankruptcy in order to restructure the debts.
- There is still no contract with police and fire.
- One with Fire seems to be coming soon
- Current Fire and Police contract is imposed.
- There was a 1c sales tax self-imposed by the voters.
  - o This money was sent to a second general fund. Keeps track of what the money is used for. [Made for city reconstruction]
  - o Started at 10.2 Million to 14.2 Million

- There was originally sunset on this tax, but the voters have since removed it.

Interviewee: Ranking member in the city manager's office

- 1) In the City Manager for 4 years and 9 months; but originally did not expect the job to last two years.
- 2) Vallejo started to get in trouble 15 years ago.
  - a. They approved a M.O.U. with workers that would have automatic salary increases and staffing minimum requirements
  - b. In addition, they had binding arbitration.
- 3) The Manager came in 2 months after exiting bankruptcy therefore the below information on the city politic is hearsay
  - a. It was a contentious time in bankruptcy
  - b. The city was on a path to insolvency
  - c. Leading into bankruptcy the city was fighting with unions for takeaways; essentially losing salary or benefits violating the MOU
  - d. Politically it was partially considered a bad idea to file. There had never been, at the time, a city of Vallejo's size go bankrupt.
    - i. However, some thought this was what was exactly needed.
  - e. Services were slashed, pay was cut, etc.
    - i. Yet, there were no layoffs!!!!
- 4) Question 8: 5 Years from now
  - a. City passed a 1c tax (by 200 votes) ; voters gave government more money
  - b. Picture looks pretty bright
  - c. Sales tax is steady and other revenue sources are stable
  - d. Had Measure B funds
  - e. Vallejo has 10 medical MJ
    - i. There is a 10% tax, equaling 2.4 Million; expected to rise as recreational MJ becomes legal.
  - f. Even as the city improves they need to keep a line on some cuts.
    - i. Moral of Employee
      - Many left the city
      - No real hope of a raise and lack of benefits
  - g. Succession of city managers
    - 1 was fired, and 2 interim (1 year each)
    - No steady management
    - Pay cuts
- 5) Other Notes
  - When city went into bankruptcy the city created a plan, but it did not go far enough. More cuts were needed.
  - Sol Tran
    - One time the city operated the busses and Ferries into the Bay

- The county wanted to consolidate the various city transportation system
    - Improved efficiency
    - Divested the city from obligations of paying for transportation
- 3. Question 10 : Resources Used
  - . Measure B: help a redevelopment staff after state cut redevelopment
  - .Now they can partially fund an economic development staff
  - i.Economic development is now coming, but the sting of bankruptcy is strong.
  - ii.Much of the economic development has happened despite the city.
    - 1. Maier Island went from 0 to 1,200 jobs
      - a. There is a large economic workforce, but they do not match the needs of business; not well trained.
  - .Many residents work out of the city
  - i.And many workers are imported.
- 4. Question 14
  - . Many CA cities can control themselves and their own destiny, therefore the State's lack of support should not change
  - .Relates to School Boards losing control for years.
  - a. Not too sure when asked of a basic safety net law, but assuming he would not want any strings attached and the problem of the moral hazard.
  - b. States that bankruptcy was a mistake for Vallejo
  - .Stigma is still there...
    - i.There is no hope of borrowing money
    - ii.The stigma even goes with the people...not just government
    - iii.Instead he argues that city's should have a 5 year economic plan. Use that as a map for any new ideas of initiatives.
      - c. Vallejo has a similar problem with SB
      - .Automatic Escalation of Salaries
      - i.They also have minimum staffing
      - d. City Manager's failed this city.
      - e. Unions Exert so much control and influence they can stop the council from doing much
      - .Prevented the government from looking long term
  - 5. Advice for SB
    - . Be Bold; do not be afraid to take large fundamental changes.
    - .They might never get this chance again
      - a. Begin Long Term financial planning
      - .Look at least 5 years into the future with projections
        - 1. Salaries, pensions, benefits, expenditures, etc.
      - i.Have the ability to estimate predictions
        - 1. This helps check the commitment
      - b. Re-Did study for salary increased ...Consider Following method
      - .Got sick of the cherry picked salary increases.
        - i.Did a survey of employee living locations
        - ii.Turns out living location is a tight radius.
        - iii.People do not want more than a 30 minute commute.

iv. Therefore use those cities as a guide for salary and benefit scales...

## Appendix F: Stockton Interview Notes

*This Interview was conducted with both Roger Phillips and Fitzgerald*

1. Roger has lived in the city for 17 years and Fitzgerald has lived in the city for 60+ years.
2. How did the city Fall
  - a. Roger: conspiracy of events.
  - b. Fitzgerald: the city over extended and recession cut them off
- i. For example they built a ballpark, and arena, and Marian.
- ii. There was no end in sight.
  - c. Roger: Benefits for Retirees were costly. ; Lifetime medical care.
  - d. Combination:
    - . From Stockton to Bakersfield people are living in Poverty
  - i. Therefore Stockton already had lower revenue, but they budgeted as if they were Newport Beach
  - ii. Stockton implemented huge capital projects.
    1. Arena, Marina, and the Ballpark
      - a. The opening of the grand opening had Neil Diamond where he charged 1 Million
      - e. The Arena lost money from the get go, and still requires a subsidy.
      - f. Public Employees took large benefits
    - .540 M unfunded liabilities [actual projections are difficult because its pay as you go.]
    - g. Fire had minimum staffing requirements that required 75 firefighters per shift.
    - h. The city, knowing it could not fully pay, doubled down on debt.
  - .125M in bonds → kept borrowing.
    - i. As the recession started city revenue dropped 25% in one quarter.
    - j. Stockton also had a problem with salaries. Similar to San Bernardino, Stockton had a survey to determine salary. The survey cherry picked top cities. → relate to Vallejo as well. The survey rule said that Stockton had to be #4 in compensation
    - k. Essentially, the city worked to make public employees happy.
    - l. Stockton was operating 19 M per year in the Red.
  - . Stockton could be considered ground Zero for the mortgage meltdown. Everything came tumbling down.
- i. There were in an uncontrolled default.
  - Getting Out of Bankruptcy
    - . Stockton was a 2 Billion Bankruptcy
    - a. Pre-Trial settlements with all but 1 creditor
    - . The 1 was Franklin Templeton Investments. Their construction led to a lengthy trial.
  - i. Templeton sued because they believed the city could not cherry pick. Templeton wanted the city to pay them instead of paying their pension obligations. The court ruled that the pension funds did not have to be paid, but the city could choose to pay them.
- ii. In the end they got 14% of debt owed. Gave the collateral for the cash.
  - b. In addition, note that according to CA State law cities filing bankruptcy must meet with employee unions and attempt negotiations before filing.
- . The meetings were confidential

i. The public employees probably settled because they saw the city's books and knew they were insolvent.

#### Services Cut

. Many cops were laid off

. Gun violence went up

a. Public Library

. Had 5 now they have 4. [Fair Oaks Library closed, but the council voted to reopen it.]

i. The closed library is the poorest part of town

b. 25% of the entire city workforce was laid off.

c. The Urban forest is dying

. They had 6 tree crews, now down to one.

i. Really they just get rid of dead trees now.

d. Public Swim Pools are in Disrepair

e. Need 13M in yearly road repairs, but now there is only 3M

. Some upgrades have been delayed indefinitely.

f. Fire Department has been hindered due to budget cuts.

g. Lack of Parks and Recreation

#### Some Helping Hand

. Measure A: a three quarter cent sales tax increase to hire 120 more police officers over 3 years.

. However, there has been a revolving door. New police were hired but older either retired or moved to a different city with higher pay... lack of raises contributed to this.

i. Measure A did try and help the revolving door by giving an 11% across the board raise to Police Officers.

ii. Another portion of the Bill was a quarter percent sales tax recreation that is predicted to bring in 144M dollars per year.

a. Measure H: change the fire charter provision to remove the minimum staffing requirements

#### Political Cooperation

. Vote to go into bankruptcy was 6 to 1. The 1 was later defeated for re-election, and the 1 sided with Police Unions

a. The bankruptcy became a clear need, to everyone but the public employee unions.

. Police and Fire Unions both sued.

They hired their own auditor who found "hidden money" this was a farce.

b. Fitzgerald: These unions are self-enrichment people. The Fire Department had to be right about everything.

#### Civic Involvement of the Public

. High degree of Civic Illiteracy

a. Stockton had lower voter turnout in the state, but higher in recent years.

[Bankruptcy got people's attention.]

b. Voters gave the Tax increases because they began to trust the government again.

#### Fair Oaks Library

. Is going to open despite the City Manager's recommendation against it.

a. It will cost 500K per year for 25 hours per week.

#### Minority Participation

. There is no ethnic group over 50%

.Highest is Latino, than white.

a. Wealth Demographics

.¼ of the city are below the poverty line

i.1/10 of the city are double below the poverty line, and in deep violence

b. Stockton is in the top 5 most integrated cities

c. The real fight was between the public employee unions, bonds creditors, and other creditors vs. the city.

d. Many things that have been done have used citizen consultation

.Measure A for example

e. Council and Council meetings are diverse

f. Most of the conflict is between North and South Stockton. In fact court has even found the city has neglected South Stockton

g. However, there was no special outreach to minorities...not needed.

Next 5 years

. Fitzgerald

.Very possible to fall back into bankruptcy

i.CalPERS would be the main reason

They could fall back even if the city remained responsible and the economy kept improving

a. It appears this new council will stick with the recovery plan.

.The city will be in a box for years, but this could be a good thing.

i.Fitzgerald thinks Stockton did bankruptcy right, they learned their lesson.

Resources to Help

. Very close to the bay area.

a. Private Sector has started to help bring in jobs ... doing a lot of building

.Even buying buildings for renovations

b. The Arena could be used, but still a disappointment

.Still requires subsidizing

i.It was 2-3M, but now is around 1.5 M.

c. Housing is very affordable in the city

d. Population actually crossed over 300K while in bankruptcy

.Growth is still ongoing

i.People want to live in Stockton

e. Stockton does have a waterfront

f. Downtown is historic with affordable vacancies

.Live-work environment / re-development / start ups

g. Train service right to downtown from the bay area

h. Air-port is up and coming

Reaching out to Local and State Government

. City Manager wrote Governor Brown a letter for Pension reform

a. Not sure of the weight, but we did get the Employee Pension Reform Act of 2010

.Did not go far enough but got rid of the worse parts.

i.Unions sued and might have led them to be in a worse position... made their debts possibly dischargeable.

Final Notes

. Fitzgerald: Redistrict Economic Development

- .Start brining jobs
- i. So far the unions have not left
- ii. But this needs to be continued.
  - Relate to SB ; Fitzgerald
    - . When the complete excess of resource spending is brought to light politicians need to make the tough but needed choice
      - a. The leadership need to change
      - b. Public Unions need to be challenged
  - Do Not Change State Law
    - . This would all depend on context
      - a. WARNING: beware of binding arbitration
- . Arbiters want to come back to they split the difference, and that is not what is always needed.
  - b. Get rid of CLOSED negotiations... Make everything Public → this will serve the public.
- Impact on Employee Moral
  - . Low Moral
    - a. Many departments are running at half staff
    - b. Again, cops retired or left
- . Stockton should have 600 police for its size. Measure A, if successful, will get it up to 485, but now is still 425

*The Following was an Interview with City Manager Kurt Wilson*

1. Came to the city around 4 years ago.
  - a. City went into bankruptcy on June 28th and he came on Sept. 3rd
2. Stockton hell because on many actions. Some action their effect could not have been foreseen, but some of them people should have known better.
3. City Politics
  - a. The city government wanted to deal with bankruptcy
- i. Once in bankruptcy everyone worked to solve the problem.
  - b. Arguments were contentious particularly with health care.
  - c. Since the city was going through pain they wanted to come out stable.
  - d. Public Backlash: take a look at council meeting from June 27th 2012.
- . Very Strong Opinions
  - e. AB 506: required that cities begin to negotiate with their public employee unions before filing bankruptcy
  - f. The Unions were combative: had a public sign for people to call the City Manager's office, and the Police Union bought the house next to another City Manager.
4. Resources Cut
  - . 25% Police were Cut / 30% Fire / 43% non-safety employees
    - a. Fair Oaks Library
    - b. The caring for the park and maintenance has been cut

- .The maintenance is down via contracting work
- i.They have reassigned the work to various departments to cut cost.
  - 5. Next 5 Years
    - . Stockton will have risen above
  - .Even with the Recession→ partially due to their projection plan
    - a. He believes that many cities in CA are limping along. In good times... they will be hurt come the recession
    - b. Stockton now has Reserves
  - .Has a fund balance of 35% (essentially a surplus)
    - c. Pensions: CalPERS would only give a 2 year projection bill (then 5 years), but Stockton hired its own people to project out 30 years ... this helped plan
  - .The small time frame CalPERS gave made the slope of projections too steep, thus the rising cost were inaccurately high
- i.The projections do not account for recession, but Stockton's revenue projections do.
  - 6. Resources the City Could Use
    - . They have a solid plan to recover...keep using that plan
    - a. Growth is coming, but its low...[Slow and Steady]
  - 7. Reaching Out to other Governments
    - . No County
    - a. Reach out to State and Federal, but they got the cold shoulder.
  - 8. CA to MI laws
    - . The MI law did not really help the result.
    - a. **Read the April 1st 2013 Bankruptcy Ruling for Stockton**
  - 9. City of SB Advice
    - . Advice: they are about out of Bankruptcy
    - a. Most of the Stockton Team went down to SB
  - .SB needs to listen to advice of the team.
- i.Make the choices that might not be popular but are sound.
  - b. NOTE: SB was the first time a judge wanted their plan of adjustment quickly.
  - 10. City Employee Moral
    - . Understand it was not just bankruptcy...need to look 3 years prior.
    - a. There were massive Cuts that kept coming in waves
    - b. It is hard for employees to do their job because of the cuts. They lost resources that helped them do their job
  - .Had to do more with less
    - c. There was a 9-23% cut in pay
  - .Loss of their life time health care
    - d. There was a sense of embarrassment when having to file.
    - e. HOWEVER, Moral has gone up again...
  - .Gone Full circle

*The Following interview was conducted with then Mayor-Elect Tubbs*

- 1. Lived in the city for 22 years
- 2. Stockton fell through shore sited spending
  - a. Over generous public employee compensation

- b. Market Forces hurt
- Everything was pretty much suspended
- . Police and fire were hurt
  - a. Pools, public library, trees, etc.
- State of the City Politic
- . People were upset
  - a. Politics were nasty
  - b. People were also embarrassed
  - c. Creditors could still get up to 90 cents on the dollar
  - d. Employees lost their lifetime healthcare.
  - e. STAFF morale was low
- Civic Involvement went up
- . Bankruptcy and the paranoia has made people more engaged.
- Next 5 years
- . Not much a risk for re-entering bankruptcy
  - a. But there is a slight risk
  - b. Tubs went into politics to be the voice of reason.
- Resources
- . Measure A, B, and M
- i.Cops, parks, and prevention
- a. Has a port that can be leveraged for growth
  - b. People in the city are resilient
  - c. Their proximity to the bay can be used
  - d. The Delta can be sued
  - e. University of the Pacific → Talent
- Reach out to State and Local
- . He wrote letter to the Feds as a young councilman.
  - a. Tried for investment
  - b. Grants were not truly forthcoming
- .Partially CA, but partially that other cities had more power
- City Next Steps
- . Push 2 budget surpluses
  - a. Have reserve set at 15%
- No opinion on change of local law for trusteeship.

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