

Municipal Bankruptcy: Lessons Learned

The city managers of Stockton and Vallejo presented the hard lessons learned from their cities journeys through Chapter 9 bankruptcy.

RIVERSIDE, CA, USA, December 28, 2015 /EINPresswire.com/ -- The city managers of Stockton and Vallejo presented the hard lessons learned from their cities journeys through [Chapter 9 bankruptcy](#) as part of the continuing Randall Lewis Seminar Series presented by the UC Riverside School of Public Policy's Center for Sustainable Suburban Development.

The city managers of Stockton and Vallejo both said it without hesitation. Bankruptcy is not an option they would ever recommend a city take unless it had no other option left.

Stockton's Kurt Wilson and Vallejo's Daniel E. Keen talked about the hard lessons learned from their cities journey through Chapter 9 bankruptcy as part of the continuing Randall Lewis Seminar Series presented by the UC Riverside School of Public Policy's Center for Sustainable Suburban Development. Keen explained to Ron Loveridge, the director of the CSSD and former Riverside Mayor, Chapter 9 bankruptcy is nothing he would recommend as a city manager to any community.

"If they're thinking this is an easy way out -- it's not," Keen said. "It's difficult, it's expensive, it takes a long time, and the impacts are really long lasting."

Stockton City Manager Kurt Wilson called bankruptcy the most painful process one can make a community endure.

"It's the most embarrassing thing you can go through for the employees, the community," Wilson said. "The anxiety that comes along with it is immeasurable, and you just can't get out of that."

Stockton filed for Chapter 9 protection in June, 2012. It emerged from bankruptcy as a different city in February, 2015.

"On the bad side, we have a much lower service level. On the good side, we're much more stable. We're growing, we're recovering. Our future is looking very good. It's because our foundation now is very solid," Wilson said.



Randall Lewis Seminar Series presented by the UC Riverside School of Public Policy's Center for Sustainable Suburban Development.



Daniel E. Keen, Vallejo's City Manager

Vallejo entered Chapter 9 protection in May, 2008. It emerged from bankruptcy much stronger, but badly bruised and battered in November, 2011.

Both city managers presented how a long list of bad decisions made by their cities years earlier combined with factors beyond the cities control to send them into bankruptcy.

Both city managers also stressed the biggest lesson learned from bankruptcy is to maintain fiscal discipline.

“You have to know what you’re facing down the road,” Keen said. “What happened in Vallejo is there were a lot of decisions made over years where nobody sat down and said the decision you’re making today is going to cost you a lot of money down the road.”

Wilson added, “Bankruptcy happens when you lose sight of the fundamentals over a long period of time.”

Now both cities made balanced budgets and economic forecasts routine. Both cities also made the budgetary process much more transparent to their citizens. As a result, Vallejo residents surprisingly voted to extend or create several local taxes to rebuild.

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Daniel E. Keen, Vallejo’s City Manager

“Today, we are a much more engaged community. We have a lot closer relationship,” he said. “Residents were angry to be painted with this brush that somehow they were inferior because we went through bankruptcy.”

Despite both cities emerging from bankruptcy protection, neither city is done with it by a long shot.

“We (Stockton) have some restructured debt that goes out to 2053,” Wilson said. “The court retains jurisdiction until that time.”

Keen added there are still many hard decisions to make.

“It’s not over when you exit bankruptcy,” he said. “In fact it’s just the start of a story that goes beyond that.”

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Kurt Wilson, Stockton’s City Manager

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