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9 UNITED STATES BANKRUPTCY COURT
 10 EASTERN DISTRICT OF CALIFORNIA
 11 SACRAMENTO DIVISION

12 In re:
 13 CITY OF STOCKTON, CALIFORNIA,
 14 Debtor.

Case No. 2012-32118
 D.C. No. OHS-15
 Chapter 9

**DIRECT TESTIMONY
 DECLARATION OF MICHAEL CERA
 REBUTTING EXPERT REPORT OF
 FREDERICK E. CHIN¹**

18 WELLS FARGO BANK, NATIONAL
 19 ASSOCIATION, FRANKLIN HIGH
 20 YIELD TAX-FREE INCOME FUND,
 AND FRANKLIN CALIFORNIA
 HIGH YIELD MUNICIPAL FUND,

Adv. No. 2013-02315

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

21 Plaintiffs,

22 v.

23 CITY OF STOCKTON, CALIFORNIA,
 24 Defendant.

27 _____
 28 ¹ While this declaration is made in support of confirmation of the Plan, out of an abundance of caution, and because the evidentiary hearing on Plan confirmation and the trial in the adversary proceeding share common issues, it is being filed in both the main case and the adversary proceeding.

1 I, Michael Cera, hereby declare:

2 1. I am the General Manager of SMG Stockton (“SMG”), which manages the
3 Stockton Arena, Bob Hope Theater, Stockton Ballpark, and Oak Park Ice Arena (“Ice Arena”)
4 under its contract with the City of Stockton, California (“City”). I make this declaration in support
5 of confirmation of the City of Stockton’s (“City”) First Amended Plan For The Adjustment Of
6 Debts Of City Of Stockton, California (November 15, 2013), and in rebuttal to the Expert Report
7 of Frederick E. Chin (“Chin Report”).

8 2. I have over 15 years of experience in venues management. My previous positions
9 include General Manager for the CenturyLink Center in Bossier City, Louisiana; Director of
10 Booking for the Gwinnett Center in Duluth, Georgia; and Director of Programming and Director
11 of Event Services for the BB&T Center in Sunrise, Florida.

12 3. I assumed management of this account for SMG when SMG was awarded the
13 Management Agreement in February 2011, about three and a half years ago. My current
14 responsibilities with SMG as they relate to the Ice Arena include general oversight of all facets of
15 Ice Arena operations, including preparation of the annual operating budget, long term planning
16 and drafting recommendations for future capital projects, programming and revenue generation
17 oversight, and day to day operational and facility maintenance oversight.

18 4. The City has foregone a great deal of capital improvements and maintenance at the
19 Ice Arena. While this resulted in a short-term savings, the physical infrastructure at the Ice Arena
20 has suffered, and the Ice Arena is now in need of critical maintenance and upgrades.

21 5. The largest capital improvement overdue for the Ice Arena is the replacement of
22 the ice floor. The current ice floor is uneven, rusty, and leaky. The floor has suffered from major
23 permafrost damage, causing the ground to heave and sink in places. The resulting unevenness
24 affects the ability to maintain a quality ice surface. Also, the piping needed to keep the floor
25 refrigerated has rusted almost completely through, requiring frequent repairs. SMG has estimated
26 the cost of a replacing the ice floor at approximately \$350,000.

27 6. In addition, the Ice Arena’s ice plant, which is 43 years old, is in need of
28 replacement. After the latest round of emergency repairs to the ice plant in 2012, the Ice Arena is

1 still running at only 33% capacity. Many repair issues still exist, and parts for those repairs are
2 either extremely difficult to find or must be custom-made due to obsolescence. Replacement
3 would be preferable to constant repairs and downtime. SMG estimates the cost of a total overhaul
4 of the ice plan to be \$500,000.

5 7. There is a litany of other capital improvements needed at the Ice Arena. Attached
6 as **Exhibit A** hereto is a true and correct copy of a spreadsheet showing the most up-to-date
7 quotes for some of the capital improvements needed at the Ice Arena. The improvements
8 reflected in Exhibit A include the items below, listed with SMG's estimate of the cost for each:

- 9 a) The floors and fixtures of the building's lobby and restrooms are original to the
10 building and require constant repair and maintenance. Two of the restrooms are
11 currently completely unusable. New flooring and utility infrastructure is needed
12 (\$200,000).
- 13 b) The building's stucco walls are chipping and falling apart, and need to be either
14 repaired or replaced (\$150,000).
- 15 c) The Ice Arena's current ice resurfacers is 23 years old, is near the end of its
16 expected life, and is in need of constant major repair. The condition of the
17 resurfacers greatly increases the work and effort needed to maintain a safe, quality
18 ice sheet, and should be replaced (\$95,000).
- 19 d) As a result of the Energy Independence Act, a federal program that phased out the
20 production or ability to import a variety of non-energy efficient materials and
21 equipment, rink lighting must be re-lamped with energy efficient bulbs and
22 protective screens must be installed (\$75,000). The lighting above the ice at the
23 Ice Arena was phased out starting in July 2012.
- 24 e) The parking lot, which has not been repaved since the Ice Arena opened in 1971
25 (43 years ago), needs to be repaved (\$50,000).
- 26 f) A ventilation and exhaust system must be added to the locker rooms (\$30,000).

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8. As reflected in Exhibit A, the capital improvements needed at the Ice Arena have a total cost of over \$2 million.

Executed this 21st day of April 2014, at _____, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.

Michael Cera

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- As reflected in Exhibit A, the capital improvements needed at the Ice Arena have a total cost of over \$2 million.

Executed this 21st day of April 2014, at SICKLEN, California. I declare under penalty of perjury under the laws of the State of California and the United States of America that the foregoing is true and correct.



Michael Cera

OHSUSA:757644191.4

Exhibit A

2014-2015 Capital Improvement Plan for SMG Stockton managed facilities

<u>Improvement</u>	<u>Facility</u>	<u>Category</u>	<u>Amount</u>	<u>Updated Amount</u>	<u>Comments</u>
Ice plant replacement	OPIA	2,3,4	\$ 710,000	\$ 500,000	1/3 of system unrepairable, 2/3 system barely functions
Lighting retrofit to rink lighting	OPIA	1,3,4	\$ 75,000		LED lighting for rink area

\$ 785,000

Year 2-5 Capital Improvement Plan for SMG Stockton managed facilities

<u>Improvement</u>	<u>Facility</u>	<u>Category</u>	<u>Amount</u>	<u>Updated Amount</u>	<u>Comments</u>
Chiller replacement	OPIA	1,2,3	\$250,000	\$500,000	Replace ice plant
Ice floor replacement	OPIA	1,2,3,4	\$1,600,000	\$350,000	Replace entire ice floor
Exterior stucco work	OPIA	3,4	\$75,000	\$150,000	Replace stucco around facility
Lobby renovation	OPIA	1,3,4	\$200,000		Renovation of lobby/restroom area
Parking lot repairs	OPIA	1,4	\$50,000		Parking lot repaving
Locker Room Exhaust	OPIA	4	\$30,000		Install Fans

\$2,205,000

Year 6-10 Capital Improvement Plan for SMG Stockton managed facilities

Improvement Facility Category Amount Comments

Zamboni	OPIA	3	\$95,000	
Fire Alarm System Upgrade	OPIA	1	\$20,000	
Access control System/Locks	OPIA	1,3	\$10,000	

\$125,000

