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21 and Assured Guaranty Municipal Corp.

22 UNITED STATES BANKRUPTCY COURT  
23 EASTERN DISTRICT OF CALIFORNIA  
24 SACRAMENTO DIVISION

25 In re: ) Case No. 12-32118  
26 CITY OF STOCKTON, CALIFORNIA, ) DC No. OHS-1  
27 Debtor, ) Chapter 9  
28 ) Date: February 26, 2013  
 ) Time: 1:30 p.m.  
 ) Dept.: C, Courtroom 35  
 ) Judge: Hon. Christopher M. Klein

29 **DECLARATION OF ROBERT C. BOBB IN SUPPORT OF SUPPLEMENTAL**  
30 **OBJECTION OF ASSURED GUARANTY CORP. AND ASSURED GUARANTY**  
31 **MUNICIPAL CORP. TO DEBTOR'S CHAPTER 9 PETITION AND STATEMENT OF**  
32 **QUALIFICATIONS**

1 I, Robert Cleveland Bobb, declare as follows:

2  
3 1. I am the President and CEO of the Robert Bobb Group, LLC located in Washington,  
4 D.C. In my 40 year career, I have served as the Appointed City Manager/City Administrator of the  
5 following U.S. cities: Kalamazoo, Michigan; Santa Ana, California; Richmond, Virginia; Oakland,  
6 California; and Washington, DC. Much of my career has involved work for cities in financial  
7 distress, and I have also served as a Governor-appointed Emergency Financial Manager over a  
8 financially-strapped public school district. A true and correct copy of my current curriculum vitae  
9 is attached as Exhibit A. I make this declaration of my personal knowledge and, if called upon to  
10 do so, I could and would testify to the facts set forth herein.

11 2. I have been retained on behalf of Assured Guaranty Corp. and Assured Guaranty  
12 Municipal Corp. in connection with the chapter 9 case initiated by the City of Stockton (the "City")  
13 to review the City's claim that it "tried everything" to avoid its chapter 9 filing and to discuss the  
14 actions taken by the City in response to its financial crisis. I also consider various cost reduction  
15 and revenue enhancement measures proposed in an alternative model of the City's budget prepared  
16 by the consulting firm Alvarez & Marsal.

17 3. This Declaration is submitted in support of the Supplemental Objection of Assured  
18 Guaranty Corp. and Assured Guaranty Municipal Corp. to Debtor's Chapter 9 Petition and  
19 Statement of Qualifications.

20 4. In my opinion as an expert on crisis management relating to financially distressed  
21 cities, the City failed to take the steps expected of a financially distressed city and did not consider  
22 various cost reductions and revenue enhancement measures that would have enabled it to avoid the  
23 chapter 9 filing. I have prepared a report detailing my conclusions, which is attached as Exhibit B  
24 (the "Report") to this Declaration and is incorporated by reference herein. For purposes of this  
25 Declaration, I will briefly summarize the bases for my conclusions.

26 5. Drawing on my experience as a crisis manager for financially distressed cities  
27 similar to Stockton, I have reviewed Stockton's actions in response to its financial downturn and  
28

1 found that the City's leaders avoided making the difficult decisions required by its financial crisis.  
2 They failed to engage in long term planning once the downturn hit and have lurched from crisis to  
3 crisis, lacking reliable and timely financial information to allow them to make the appropriate and  
4 difficult decisions for the City or to plan for the future, focusing instead only on today's problems  
5 and thereby missing the larger issues raised by the City's financial crisis.

6 6. Of vital consequence, the City has studiously avoided making the hard choices  
7 between core city functions – the “Must Haves” – and non-core services – the “Nice to Haves” –  
8 with the result that everything is deemed a core service and nothing is actually treated as one. The  
9 City has merely followed the standard financial crisis playbook – cutting personnel, imposing  
10 layoffs, and bemoaning the decline in services. A financial crisis is a wrenching experience, but it  
11 is also an opportunity to put all options on the table – to get rid of the decades of outmoded  
12 thinking, bloated costs, tired policies, and to sweep away the bureaucratic inertia that prevents  
13 fundamental change. Unfortunately, the City has not taken advantage of this opportunity, as  
14 evidenced by its failure to engage its largest creditor, CalPERS, in discussions about reducing the  
15 City's outstanding pension obligations.

16 7. Local governments nationwide have been facing financial difficulties in recent years  
17 and have been implementing innovative policies and programs that look to the future rather than  
18 just trying to cling to the old ways. Unlike other distressed cities, Stockton has failed to act to  
19 eliminate or consolidate services, reorganize city departments, sell assets, or privatize services. In  
20 response to financial challenges facing cities, transformative change has been taking place in local  
21 governments across the American landscape – but not in Stockton. And that is a major reason why  
22 the City has not been able to address its financial ills.

23 8. A second part of the report seeks to make the hard choices that the City has avoided.  
24 Alvarez & Marsal and Nancy Zielke have developed an alternative budget model (the “Alternative  
25 Model”) that looks at additional cost reductions and revenue enhancements compared to the City's  
26 budget. The Alternative Model considers reductions that do not touch core police or fire services  
27 but do distinguish between the City's core “Must Have” responsibilities and the “Nice to Have”  
28

1 amenities that should be provided by third parties or funded in a manner that does not call on the  
2 General Fund. On the revenue side, the Alternative Model recognizes the need for new tax  
3 revenues, and these proposals should be put to the citizens in referenda and approved after the City  
4 leaders make the case that they have a long-term plan to revitalize Stockton's government services  
5 to meet the City's needs and live within its means. Based on my experience in addressing revenue  
6 and cost issues for financially distressed cities, the approach taken in the Alternative Budget is  
7 realistic, feasible, and appropriate.

8 9. With these cost reductions and additional revenues, the Alternative Budget  
9 demonstrates that the City cannot make the showing that it was insolvent when it filed for chapter 9  
10 relief at the end of June 2012. After rejection of this filing, many options remain open to the City  
11 to right-size its balance sheet outside of a chapter 9 proceeding.

12  
13 I declare under penalty of perjury under the laws of the District of Columbia and United  
14 States of America that the foregoing is true and correct.

15  
16 Executed this 14th day of December 2012 at Washington, District of Columbia.

17  
18   
19 Robert C. Bobb  
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