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9 UNITED STATES BANKRUPTCY COURT
 10 EASTERN DISTRICT OF CALIFORNIA
 11 SACRAMENTO DIVISION
 12

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

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

**DECLARATION OF KURT WILSON
 IN SUPPORT OF CITY'S
 SUPPLEMENTAL MEMORANDUM
 OF LAW IN SUPPORT OF
 CONFIRMATION OF FIRST
 AMENDED PLAN FOR THE
 ADJUSTMENT OF DEBTS OF CITY
 OF STOCKTON, CALIFORNIA
 (NOVEMBER 15, 2013)¹**

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

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

1 I, Kurt Wilson, hereby declare:

2 1. I am the City Manager of the City of Stockton, California (the “City” or
3 “Stockton”). I make this declaration in support of the City’s Supplemental Memorandum Of Law
4 In Support Of Confirmation Of First Amended Plan For The Adjustment Of Debts Of City Of
5 Stockton, California (November 15, 2013). I joined the City as a Deputy City Manager in
6 September 2012. My responsibilities in that role included overseeing the operational departments
7 of Community Development, Economic Development, Public Works and Municipal Utilities. I
8 served as Interim City Manager from November 2013 until late January 2014, when I became
9 City Manager. In my role as City Manager, I serve as the chief administrative officer of the City,
10 in which capacity I manage the City's resources and personnel, with the exceptions of the City
11 Attorney, City Auditor, and City Clerk's offices. This includes supervising a variety of
12 professional staff with expertise in various disciplines and managing those talents to implement
13 the policy decisions of the Mayor and Council.

14 2. Before joining the City, I was City Manager of Ridgecrest, California, and served
15 in local government in both San Bernardino and Rialto. I also served in state government, where
16 I served in two senior executive positions in the Schwarzenegger administration. Additionally, I
17 have an extensive background in the private sector, as a business owner and nonprofit executive.
18 I hold a Bachelor of Science degree in Organizational Management and a Master of Business
19 Administration from University of La Verne, and a Master of Education from California Coast
20 University, as well as several post graduate certifications from UCLA, Berkeley, and various
21 professional organizations.

22 *The City’s Deals With Ambac, Assured, And NCFG Preserve Important Civic Properties*

23 3. Franklin attacks the deals that the City, through arduous mediation and after
24 thousands of hours of work by the City’s management team and outside professionals, has struck
25 with Ambac, Assured, and NCFG. But Franklin ignores one of the critical elements of these
26 deals. These agreements are vital to the City because they each ensure the City’s continued use
27 of properties that are important, and often essential, to the City’s operations.
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1 4. The City's agreement with Ambac allows the City to maintain possession of three
2 fire stations, the City's Main Police Facility, and the Maya Angelou Southeast Branch Library.
3 The City, in the exercise of its business judgment, has determined that it cannot relinquish control
4 of these properties because of their importance to the City. Likewise, the City's agreement with
5 Assured allows the City to continue its use of 400 E. Main. The City intended to make this
6 building its new City Hall, replacing the dilapidated City Hall built over 100 years ago. Although
7 400 E. Main did not become the City Hall as planned, it now houses the City's information
8 technology division, and the City has invested several million dollars in upgrades to provide the
9 necessary cabling and chillers for its main computer services and related equipment. The City's
10 settlement with Assured is thus essential to the City's operations. In addition, the City's new
11 lease of its space at 400 E. Main is on more favorable terms than it would have been able to
12 achieve outside of its settlement with Assured. This filled an essential need for the City.

13 5. The City's deals with NCFG also allow the City to continue its use of essential
14 civic properties. Those deals allow the City to remain in use of the Stewart/Eberhardt Building,
15 an essential services building (as defined by Cal. Health & Safety Code § 16007) that is home to
16 the City's Human Resources, Police Emergency Communications (911 Dispatch), Police
17 Investigations, and Public Works departments, as well as the Police Crime Lab. They also allow
18 the City to retain the Stockton Arena, home to the Stockton Thunder professional sports team and
19 host to a variety of events such as ice hockey, indoor football, indoor soccer, and concerts. The
20 Arena is part of the Stockton Events Center in downtown Stockton and defines the city's
21 downtown waterfront redevelopment program. Finally, the NCFG deals allow for the City's
22 continued use of three parking structure properties in downtown Stockton: (1) the Edmond S. Coy
23 Parking Structure, a six-story structure with about 575 parking spaces, as well as ground
24 commercial space, for workers in and visitors to the Central Business District; (2) the Stockton
25 Events Center Parking Structure, a seven-story structure with about 600 parking spaces for sports
26 fans, concert goers, and event attendees; and (3) the Market Street Garage, a four-story structure
27 with about 780 parking spaces, which provides monthly parking for employees of downtown
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1 businesses and hourly parking for patrons of downtown businesses. Each of these facilities is
2 important either to the City's operations or to the City's viability as a liveable City.

3 6. The NPMFG Settlements were contingent on the City obtaining the required
4 approval of the State of California Department of Finance of the restructuring of the Arena Pledge
5 Agreement. The City has received this approval.

6 7. The properties underlying the City's deals with Ambac, Assured, and NPMFG are
7 important civic facilities, and the City, in the exercise of its business judgment, has determined
8 that they cannot be sacrificed. There is one deal with Assured, the Pension Obligation Bond
9 (POB) settlement, which does not directly involve an underlying property. However, the City
10 entered into the POBs settlement as part of a global settlement with Assured that ensured the
11 City's continued use of 400 E. Main under favorable lease terms. The City believes that Assured
12 would not have entered into the new 400 E. Main Lease on the same terms had it not reached an
13 acceptable settlement on the POB Claims.

14 8. In contrast, the properties underlying the 2009 Bonds – Swenson Golf Course, Van
15 Buskirk Golf Course, and Oak Park – are not essential to the City's operations or continued
16 viability. The City has determined, in the exercise of its business judgment, that these properties
17 can be sacrificed.

18 9. The City has disclosed the major terms of the deals with Ambac, Assured, and
19 NPMFG, and has filed near-final drafts of each settlement in the Plan Supplement [Dkt. No. 1236]
20 and the Supplemental Plan Supplement [Dkt. No. 1259]. The City intends to file final drafts of
21 all settlement documents, as approved by the City Council, before the Confirmation Hearing. The
22 City does not believe that any modifications of the documents that have already been filed will be
23 material. The City also does not believe that any documents that have not yet been filed will
24 affect the treatment of the 2009 Bond Claim or that Franklin has been prejudiced in any way.

25 *The City Has Made Its Best Effort To Raise Additional Tax Revenues*

26 10. The City has made its best efforts to raise taxes in light of its fiscal crisis and
27 bankruptcy case. The City realized several years ago that it needed to pursue additional revenues.
28 At the time, however, the justification for new taxes did not meet the expectations of the

1 community. As a result, on more than one occasion voters rejected calls for new taxes, even to
2 support important public items. Subsequently, the City engaged FM3, a reputable national firm
3 with more than 30 years of experience specializing in opinion research to support the passage of
4 finance measures to fund local public services. The City enlisted FM3 to survey likely Stockton
5 voters in September 2012 on the level of support for sales and/or utility user tax increases,
6 structured either as special taxes (with earmarked proceeds) or general taxes (without earmarked
7 proceeds). A true and correct copy of the results of FM3's research is attached as Exhibit B to the
8 declaration of former City Manager Robert Deis in support of the City's eligibility for bankruptcy
9 relief ("Deis Decl.", [Dkt. No. 708]). A summary of FM3's key findings was also admitted into
10 evidence as Exhibit 106 at the Eligibility Hearing. Those results showed that the measure had a
11 greater probability of passing if a portion of the receipts went to public safety purposes, including
12 the hiring of additional police. It also showed substantially lower support for a tax measure
13 whose receipts would be dedicated solely to paying the City's creditors.

14 11. Based on FM3's research, the city put Measures A and B on the November 2013
15 ballot. Measure A, a ballot measure to raise the sales tax by 0.75%, narrowly passed in
16 November 2013, with 51.86% of voters voting yes. Measure B, an advisory measure asking the
17 electorate whether 65% of the proceeds from Measure A should be used to "pay for law
18 enforcement and crime prevention services such as those described in the Stockton's Marshall
19 Plan on Crime" and 35% to "help end the bankruptcy and restore other City services," passed by
20 a wider margin, with 59.27% of voters voting yes. Measure A's narrow victory confirmed the
21 City's business judgment that the voters likely would not tolerate a tax increase higher than
22 0.75%, while Measure B's wider margin of victory confirmed that the sales tax increase likely
23 would not have passed if a larger portion of the revenues was spent on paying creditors instead of
24 public safety and City services.

25 12. I agree with the testimony of former City Manager Bob Deis when he stated that
26 "for a tax increase measure to be successful it is essential that a city have a compelling argument
27 or a specific 'product' that will be funded by the tax increase which resonates with the voters."
28 Deis Decl. at 9. It was critical to the passage of Measure A that the public see that the resulting

1 revenues would go to hiring police officers and improving public safety. At the same time,
2 however, the City was barely able to sell a tax increase that paid for the some of the City's most
3 vital "products": law enforcement, crime prevention, and the restoration of City services. In my
4 experience, it would be even more difficult to pass a tax measure devoted solely to paying
5 creditors like Franklin. The City has acted in good faith by asking the voters to pass the highest
6 tax increase that the City thought feasible and by presenting voters with a "product" they would
7 support. Were the City's bankruptcy case dismissed, it could not, as Franklin suggests it might,
8 be able to raise yet more tax revenue at the drop of a hat.

9 13. Franklin's arguments that the City should raise its utility users' tax ("UUT") rate
10 likewise miss the mark. In November 2008, the City placed Measure U on the ballot, which the
11 voters passed. The purpose of Measure U was to modernize the current user utility tax ordinance
12 to treat taxpayers equally regardless of the technology used for telecommunication and video
13 services. Specifically, it was intended to protect the tax from litigation alleging that local phone
14 taxes should have been repealed when the federal government ceased taxing long-distance calls in
15 2006. It was also intended to extend the tax to new technologies such as text messaging. In order
16 to address public concern, Measure U reduced the overall UUT rate from 8% to 6%. This action
17 likely relieved some political pressure, which allowed the City an opportunity to garner additional
18 support for the later tax measure.

19 14. Any UUT increase requires voter approval. The FM3 poll indicated lower support
20 for a UUT than a sales tax. A sales tax measure initially polled at 71% support, but wound up
21 with only 51.86% "yes" votes. A 2% UUT increase initially polled at 58% support, so it seems
22 likely such a proposal would not succeed after a hard fought ballot campaign. This may be in part
23 due to the City's promise with Measure U that the UUT would remain at 6%. Putting a 2% UUT
24 rate increase on the ballot would run counter to that promise.

25 *The City Cannot Reject Its Contract With CalPERS*

26 15. Franklin criticizes the City's decision not to impair CalPERS. The point Franklin
27 misses or ignores is that there is not much in the way of a decision involved. A "decision"
28 implies a choice between two options. But there is, in reality, no feasible alternative to CalPERS

1 for Stockton. If the City wishes to retain its employees, and wishes to avoid the \$1.6 billion²
 2 judgment that would immediately result from rejecting its CalPERS obligations, it must honor its
 3 debts to CalPERS as the trustee for the City's retirees. The City's ability to retain and attract a
 4 qualified workforce is dependent, among other things, on the competitiveness of its total
 5 compensation package. We have witnessed the negative impact on recruitment and retention
 6 within the police department, for example, that can be caused by even the hint of losing the ability
 7 to provide a competitive compensation package. Other departments are experiencing similar
 8 challenges. As an example, the City is currently unable to fully operate its new Delta Water
 9 Supply Project because of an inability to attract and retain qualified employees. In the absence of
 10 CalPERS or an equivalent plan, the City would be unable to compete with other employers. The
 11 search for a comparable plan that also produces a cost savings for the City has not identified any
 12 options. Even if such an option did exist, however, the termination liability that the City would
 13 owe to CalPERS would more than offset any hypothetical savings.

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15 Executed this 31st day of March 2014, at Stockton, California. I declare under penalty of
 16 perjury under the laws of the State of California and the United States of America that the
 17 foregoing is true and correct.

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 Kurt Wilson

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² Unfunded termination liability for the Safety Plan is \$1.042 billion and for the Miscellaneous Plan is \$576 million, for a total of \$1.618 billion, according to the 6/30/12 actuarial valuation by CalPERS (page 28 of each plan's report).