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 13 City of Stockton

14 UNITED STATES BANKRUPTCY COURT
 15 EASTERN DISTRICT OF CALIFORNIA
 16 SACRAMENTO DIVISION

17 In re:
 18 CITY OF STOCKTON, CALIFORNIA,
 19 Debtor.

20 Case No. 2012-32118
 21 D.C. No. OHS-1
 22 Chapter 9

23 **OBJECTIONS TO DECLARATION
 24 AND EXPERT REPORT OF
 25 ROBERT C. BOBB IN SUPPORT OF
 26 SUPPLEMENTAL OBJECTION OF
 27 ASSURED GUARANTY CORP. AND
 28 ASSURED GUARANTY MUNICIPAL
 CORP. TO DEBTOR'S CHAPTER 9
 PETITION AND STATEMENT OF
 QUALIFICATIONS¹**

Date: February 26, 2013
 Time: 1:30 p.m.
 Dept: C
 Judge: Christopher M. Klein

¹The City is not asking the Court for a ruling on the City's objections to evidence at the February 26, 2013 Status Conference. Rather, the City will seek direction from the Court at such hearing as to how it would like to proceed as to the City's objections.

1 The City of Stockton (the “City”) respectfully submits the following objections¹ to the
 2 Declaration and Expert Report of Robert C. Bobb In Support of Supplemental Objection of
 3 Assured Guaranty Corp. and Assured Guaranty Municipal Corp. to Debtor’s Chapter 9 Petition
 4 and Statement of Qualifications filed June 28, 2012. These Objections do not include objections
 5 based on the qualifications, helpfulness, or reliability of Robert C. Bobb’s (“Bobb”) testimony as
 6 an expert, which are contained in the accompanying “Objections To Declaration And Expert
 7 Report Of Robert C. Bobb Pursuant To Federal Rule Of Evidence 702 And *Daubert V. Merrell*
 8 *Dow Pharmaceuticals, Inc.*”

9 **OBJECTIONS TO DECLARATION OF ROBERT C. BOBB**

PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
11 4. In my opinion as an expert on crisis 12 management relating to financially 13 distressed cities, the City failed to take the 14 steps expected of a financially distressed 15 city and did not consider various cost 16 reductions and revenue enhancement 17 measures that would have enabled it to 18 avoid the chapter 9 filing. I have prepared 19 a report detailing my conclusions, which is 20 attached as <u>Exhibit B</u> (the “Report”) to this 21 Declaration and is incorporated by 22 reference herein. For purposes of this 23 Declaration, I will briefly summarize the 24 bases for my conclusions.	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City did not take all of the steps outlined in his Report is irrelevant as this does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Bobb’s conclusion is also speculative and assumes facts not in evidence in that his Report relies on numerous unfounded assumptions.
20 5. Drawing on my experience as a 21 crisis manager for financially distressed 22 cities similar to Stockton, I have reviewed 23 Stockton’s actions in response to its 24 financial downturn and found that the 25 City’s leaders avoided making the difficult 26 decisions required by its financial crisis. They failed to engage in long term planning once the downturn hit and have lurched from crisis to crisis, lacking reliable and timely financial information to allow them to make the appropriate and difficult decisions for the City or to plan	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City “avoided making difficult decisions required by a financial crisis” is vague, speculative, and irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.

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 28 ¹ The Federal Rules of Evidence are made applicable to cases under the Bankruptcy Code by Rule of Bankruptcy
 Procedure 9017.

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PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
<p>for the future, focusing instead only on today’s problems and thereby missing the larger issues raised by the City’s financial crisis.</p>	
<p>6. Of vital consequence, the City has studiously avoided making the hard choices between core city functions – the “Must Haves” – and non-core services – the “Nice to Haves” – with the result that everything is deemed a core service and nothing is actually treated as one. The City has merely followed the standard financial crisis playbook – cutting personnel, imposing layoffs, and bemoaning the decline in services. A financial crisis is a wrenching experience, but it is also an opportunity to put all options on the table – to get rid of the decades of outmoded thinking, bloated costs, tired policies, and to sweep away the bureaucratic inertia that prevents fundamental change. Unfortunately, the City has not taken advantage of this opportunity, as evidenced by its failure to engage its largest creditor, CalPERS, in discussions about reducing the City’s outstanding pension obligations.</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions that the City “avoided making hard choices” and did not “take[] advantage of this opportunity” are vague, speculative, and irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Moreover, Bobb’s statement regarding the City’s “failure to engage” is also vague, irrelevant, and lacks foundation.</p>
<p>7. Local governments nationwide have been facing financial difficulties in recent years and have been implementing innovative policies and programs that look to the future rather than just trying to cling to the old ways. Unlike other distressed cities, Stockton has failed to act to eliminate or consolidate services, reorganize city departments, sell assets, or privatize services. In response to financial challenges facing cities, transformative change has been taking place in local governments across the American landscape – but not in Stockton. And that is a major reason why the City has not been able to address its financial ills.</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City has not undertaken “transformative change” is vague, speculative, and irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
<p>8. A second part of the report seeks to make the hard choices that the City has avoided. Alvarez & Marsal and Nancy Zielke have developed an alternative budget model (the “Alternative Model”) that looks at additional cost reductions and revenue enhancements compared to the City’s budget. The Alternative Model considers reductions that do not touch core police or fire services but do distinguish between the City’s core “Must Have” responsibilities and the “Nice to Have” amenities that should be provided by third parties or funded in a manner that does not call on the General Fund. On the revenue side, the Alternative Model recognizes the need for new tax revenues, and these proposals should be put to the citizens in referenda and approved after the City leaders make the case that they have a long-term plan to revitalize Stockton’s government services to meet the City’s needs and live within its means. Based on my experience in addressing revenue and cost issues for financially distressed cities, the approach taken in the Alternative Budget is realistic, feasible, and appropriate.</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the Alternative Model proposed by Bobb is extremely speculative and assumes facts not in evidence, in that it makes numerous unfounded assumptions. Moreover, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect, is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>9. With these cost reductions and additional revenues, the Alternative Budget demonstrates that the City cannot make the showing that it was insolvent when it filed for chapter 9 relief at the end of June 2012. After rejection of this filing, many options remain open to the City to right-size its balance sheet outside of a chapter 9 proceeding.</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the Alternative Model proposed by Bobb is extremely speculative and assumes facts not in evidence, in that it makes numerous unfounded assumptions. Moreover, the City’s “failure” to adopt the Alternative Model, either in its entirety or in any given respect, is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. The City also objects on the grounds that Bobb’s conclusion that the City “cannot make the showing that it was insolvent” is an improper legal conclusion.</p>

OBJECTIONS TO EXPERT REPORT OF ROBERT C. BOBB

PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
<p>When Stockton’s financial crisis began, the City should have sought to determine where it stood financially and operationally, developed both short-term and long-term plans for addressing the financial crisis, and implemented those plans. Instead, it has lurched from crisis to crisis with no plan or strategy for solving its operational and financial predicament. (Bobb Decl., Exh. B., p. 10).</p>	<p>The City objects on the grounds that these statements lack foundation. The City also objects on the grounds that this statement is vague, speculative, and assumes facts not in evidence. Moreover, the City’s “failure” to develop a plan according to Bobb’s standards is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>The City cannot produce reliable or timely financial information, which makes it impossible for decision makers to address the financial crisis, and the current administration should have devoted resources sooner to resolving these financial accounting and reporting issues. In fact, there is little to no evidence to support a sense of urgency to address these issues or the hard decisions facing the City. (Bobb Decl., Exh. B., p. 10).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the this statement is vague, speculative, and assumes facts not in evidence, in that it offers no specifics as to the contribution of further resources to the production of financial data. Moreover, Bob’s conclusion that the City lacked a “sense of urgency” is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>The City has failed to make the hard budget decisions – the distinction between the core “Must Haves” and the non-core “Nice to Haves,” which would have allowed the City to eliminate or outsource non-essential services and make decisions on cost reductions and budget savings. (Bobb Decl., Exh. B., p. 11).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the this statement is vague, speculative, and assumes facts not in evidence, in that it offers no specifics as to what decisions the City has made and what constitutes “Must Haves” and “Nice to Haves.” Moreover, Bobb’s remarks on the City’s “failure” to make “hard budget decisions” are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>The City limited its actions to the traditional cost cutting trio of furloughs, layoffs, and benefit cuts. Instead, it should have engaged in creative efforts in which all options were considered, including new revenues, cost reductions, combining or eliminating programs, sharing or privatizing services, considering asset sales, and engaging in transformative change to address Stockton’s financial problems. (Bobb Decl., Exh. B., p. 11).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that this statement is vague, speculative, and assumes facts not in evidence. Moreover, Bobb’s remarks concerning the City’s “failure” to “engage[] in creative efforts” are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
<p>Alvarez & Marsal and Nancy Zielke in her Expert Report (“Zielke Expert Report”) have developed an alternative budget model (the “Alternative Model”) that looks at additional cost reductions and revenue enhancements compared to the City’s budget. Based on my experience in addressing revenue and cost issues for financially distressed cities, the approach taken in the Alternative Model is realistic, feasible, and appropriate. With these cost reductions and additional revenues, the Alternative Model demonstrates that the City cannot make the showing that it was insolvent when it filed for chapter 9 relief at the end of June 2012. (Bobb Decl., Exh. B., p. 11).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the Alternative Model is realistic, feasible, and appropriate is irrelevant, as the City’s decision not to adopt measures contained in the Alternative Model does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Bobb’s conclusion is also speculative and assumes facts not in evidence, in that the Alternative Model relies on numerous unfounded assumptions. Finally, Bobb’s conclusion that the City “cannot make the showing that it was insolvent when it filed for chapter 9 relief at the end of June 2012” is an improper legal conclusion.</p>
<p>In working on cities in financial distress, I have encountered and worked with all the constituencies that are important participants in urban government issues: city political leaders, city managers, public unions, suppliers of services to cities, colleges and universities, state and federal officials, the business community, outside experts in various disciplines, and the citizens. During my career, I have had to address many of the same urgent financial and operational issues that the City of Stockton has faced – revenue shortfalls, stagnant economic conditions, rating agency downgrades, public safety concerns, overly generous compensation practices, labor disputes, lack of institutional and financial controls, state actions that decrease or impact city revenues or services, and independent audits which identified material weaknesses and significant deficiencies in internal controls. When faced with difficult financial decisions a City Manager is obligated to recommend and place before the City Council and the community all of the alternatives that might prevent financial insolvency. As will be discussed in this report, Stockton has simply failed to</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the Alternative Model proposed by Bobb is extremely speculative and assumes facts not in evidence, in that it makes numerous unfounded assumptions. Moreover, the City’s “failure” to adopt “all of the alternatives” Bobb believes would prevent insolvency is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>consider, let alone implement, many of the alternatives available to it in addressing its financial crisis. (Bobb Decl., Exh. B., pp. 12-13).</p>	
<p>When I became City Manager, the City of Kalamazoo faced significant budget challenges. My team and I, with the help of outside experts, implemented a new budget model at the time called Zero Based Budgeting (ZBB), replacing the traditional “line item budgeting” process that did not prioritize the delivery of city services. The ZBB process required that the budget be built from the ground up, rather than simply by adopting all historical expenditures, and that the first items funded in the budget were the legally mandated services. It was an effective tool to provide to directors of agencies to assist them in finding cost effective ways to improve operations. By employing ZBB, we were able early on to detect inflated budgets, eliminate obsolete programs, and identify opportunities to reduce long terms costs. The process enabled us to transform long term budget forecasting based on first funding “core legally mandated services” and when the money ran out, some services were not financed. This process forced the city to make hard choices. (Bobb Decl., Exh. B., p. 14).</p>	<p>The City objects on the grounds that Bobb’s proposed application of a Zero Based Budgeting Model to the City is vague, speculative, and assumes facts not in evidence. Moreover, the fact that the City did not adopt a Zero Based Budgeting Model is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>The core cause of Kalamazoo’s deficits was the disproportionate funding allocated to the police and fire departments. While there was a reluctance to try and merge these two vital departments, it became evident that the expenses of those departments had to be addressed after the traditional steps of cutting city employees and unnecessary services had been unsuccessful in addressing the costs. Additionally, we felt that a fundamental structural change had to occur to address our most significant cost areas. My team and I led the successful effort to consolidate the Police and Fire</p>	<p>The City objects on the grounds that that the application of the experience of the City of Kalamazoo to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Kalamazoo is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>Departments into a fully integrated Public Safety Agency. In so doing, we were able to address the excessive costs and increase the number of available officers available in an emergency. This was a difficult process, as we had to overcome institutional inertia and bureaucratic resistance. With assistance from the leadership of both the police and fire unions, as well as the head of Kalamazoo’s human resources group, the consolidation initiative reduced the total personnel employed by police and fire from 383 in 1982 to 287 today, and the consolidation is estimated to save the city \$9 million annually. Thirty years later, other Michigan cities have followed suit in consolidating their police and fire departments, and others are consolidating for the very same reasons -- to cut costs and add additional services. Additionally, my team and I consolidated the police and fire dispatches into a single agency, which has decreased costs annually by \$300,000 by reducing the number of dispatchers. Yet another example of structural changes to the business operations of the city that reduced costs was my participation on the study team called the CORE Council (City and Kalamazoo County) that transferred the Kalamazoo Airport from the City to the County in 1982. In this case it was determined that the City should not bear the full costs of operating an airport. Finally, my team and I increased efforts to obtain federal and state grants and reorganized Kalamazoo’s city government to eliminate the Office of Management and Budget. (Bobb Decl., Exh. B., pp. 14-15).</p>	
<p>As City Manager, my team and I sought to achieve savings by restructuring the City government with an initiative called “Banishing Bureaucracy” or “Moving Oakland Forward.” That process helped address the City’s budgetary deficits by focusing on upgrading business and</p>	<p>The City objects on the grounds that that the application of the experience of the City of Oakland to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Oakland is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>customer client services within the City. My team and I met with City employees to reexamine the role of government and looked at every aspect of the City’s operations, focusing on ways to consolidate or eliminate redundant agencies, staff, and operations. We fundamentally reexamined the role of government and the best way for the City to provide services to its constituents. During this process, my team and I made over 225 recommendations to improve the City government that touched on every corner of government operations and expenses. (Bobb Decl., Exh. B., p. 16).</p>	
<p>My approach to addressing the City’s forecasted budget deficit was rooted in the simple guiding principle that the city’s revenues must match its expenditures. This principle manifested itself in the establishment of a series of financial policies that guided the City’s fiscal future and produced balanced budgets:</p> <ul style="list-style-type: none"> • Eliminate all structural deficits. • Balance the budget without creating a structural deficit in the General Purpose Fund. • Use “one-time” revenues to fund “one-time expenditures.” • Carry a minimum-fund balance within the General Purpose Fund. • Establish a debt policy as a “best practice” to ensure that the City did not overextend itself with debt. • Consult outside economists to validate financial assumptions used in the budget to forecast revenues. • Develop a budget that identified the staffing and resources allocated to, as well as the revenues generated by, specific programs that support the Mayor and City Council goals. 	<p>The City objects on the grounds that that the application of the experience of the City of Oakland to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Oakland is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<ul style="list-style-type: none"> • Expand the use of “Performance Budgeting.” • Work closely with the City Council’s Citizen Budget Review Committee. • Enact Broad Pension Reform Measures as part of labor contract negotiations with several unions in 2002-03 that included: <ul style="list-style-type: none"> ○ Increasing employee pension-fund contributions ○ Fire personnel began contributing at a 4% rate of salary (currently 13%) ○ Non-sworn personnel began contributing at 3% of salary (currently 12%) ○ Confidential management and Deputy City Attorneys began contributing at 3% of salary (currently 8%) and ○ Local 21 (International Federation of Professional and Technical Engineers) employees began contributing at 3% of salary (currently 9%). (Bobb Decl., Exh. B., pp. 16-17). 	
<p>As Emergency Financial Manager for the Detroit Public Schools (DPS), I implemented a restructuring of DPS’ operations to eliminate a \$305 million legacy deficit and ongoing structural operating deficit by cutting non-critical spending and creating a more agile, flexible system. Ultimately, my restructuring team and I were able to produce DPS’ first balanced budget without borrowing in a decade (FY2011). (Bobb Decl., Exh. B., pp. 17-18).</p>	<p>The City objects on the grounds that that the application of the experience of the City of Detroit to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Detroit is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>Upon arrival in Detroit, my team and I were told that the DPS had a budget deficit of \$139 million. After a week’s review, the restructuring team and I had determined that the actual deficit was in fact \$305 million, and there were 587 employees on the payroll who were unfunded. Contracts had been executed without appropriate budgetary approval or even knowledge. (Bobb Decl., Exh. B., p. 18).</p>	<p>The City objects on the grounds that the application of the experience of the City of Detroit to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Detroit is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>My team and I balanced the budget by taking the following steps:</p> <ul style="list-style-type: none"> • Closed 75 schools and district facilities through a community vetting process over 2 1/2 years, reducing 4.1 million square feet of underutilized space while reducing operating expenses by over \$37 million. • Rebuilt and reformed the Public Safety operation. After terminating the Chief and Deputy Chief, my team and I established the Office of the Inspector General (OIG), which carried out roughly 400 investigations of theft, payroll fraud, contractor fraud, abuse, ethics violations, unauthorized employment, vendor fraud, and waste. • Developed a state-approved deficit reduction plan that included a long-term financial plan. • Conducted over 220 financial and operational audits within two years. • Administered managed competition processes to outsource non-core school functions and improve performance. My team and I outsourced all operations not part of the core functions of “teaching and learning,” including the following functions with no loss of service 	<p>The City objects on the grounds that the application of the experience of the City of Detroit to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Detroit is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>and dramatically lower costs for security (\$8 million annually); custodial, engineering and building maintenance (\$14.8 million annually); and bus fleet operations and maintenance (\$4.8 million). My team and I saved a total of \$68.7 million in 2011-12 as a result of outsourcing.</p> <ul style="list-style-type: none"> • Negotiated \$7.4 million in vendor payments by requiring vendors to take a 25% 'haircut' on accounts payables. • Failed to renew over 700 non-union personnel contracts and reduced employment by 3,552 (26.5% of the total DPS workforce). • Developed ongoing fund and budgetary reporting applications, including budget-to-actual variance reports and related management analyses and reports. • Rigorously reviewed excess space requirements and sold or leased over 3 million square feet in two years, which generated over \$10 million in revenue and created over \$2 million in recurring revenue. • Recovered over \$500,000 in delinquent rental payments, renegotiated a long-term lease for a 200 space DPS-owned parking garage, executed and managed 30 cell tower leases, and audited all utility bills for the district which led to over \$15 million in missed billings, incorrect rate schedules, and savings. • Developed a downsizing strategy to reduce central office space and increase operational efficiencies through better layout of offices. • Acquired three parks for the city 	

1	PARAGRAPH OBJECTED TO	GROUND FOR OBJECTION
2 3 4 5 6 7	<p>totaling 40 acres, which allowed DPS to proceed with plans to reconfigure and expand three schools, develop a plan for district owned facilities to be leased to charter school operators, and structure public private partnerships.</p> <p>(Bobb Decl., Exh. B., pp. 18-19).</p>	
8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	<p>As a result of budget pressures, my team and I inaugurated the “7 to 11” process in which we started at 7 AM and ended at 11 PM and called in City departments to justify their budgets, discuss alternative ways of providing services, and work on cost reductions based on detailed principles setting forth the City’s budget and service delivery priorities. The process defined the “core services” of the government and as a result several departments were merged, eliminated or consolidated. For example, my team and I</p> <ul style="list-style-type: none"> • Eliminated the position and office of the Director of Public Safety; • Consolidated the Police & Fire dispatch functions; • Consolidated the Parks and Public Works maintenance functions, including tree trimming; and • Consolidated and coordinated across functions the operations of snow control. <p>(Bobb Decl., Exh. B., pp. 19-20).</p>	<p>The City objects on the grounds that the application of the experience of the City of Richmond to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Richmond is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
23 24 25 26 27 28	<p>The “7 to 11” process enabled us to engage in “outside the box” thinking and to seek creative ways to reduce costs, increase efficiency, and provide enhanced services to the citizens. In subsequent years, my team and I eliminated an \$11 million budget shortfall caused by the Virginia State government’s decision not to provide \$11 million in funding that Richmond had anticipated. (Bobb Decl., Exh. B., p. 20).</p>	<p>The City objects on the grounds that the application of the experience of the City of Richmond to the City’s situation is vague, speculative, and assumes facts not in evidence. Moreover, the experience of the City of Richmond is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>Cities facing financial problems are nothing new, and many cities have encountered financial problems as a result of economic downturns, overspending, one-time events, and other causes. Crisis managers have developed a number of steps that are routinely applied when a city falls into financial distress. Unfortunately, a review of the record here shows that Stockton has failed to undertake those steps. (Bobb Decl., Exh. B., p. 20).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City did not take all of the steps outlined in his Report is irrelevant, as this does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Furthermore, the steps outlined in Bobb’s Alternative Model are speculative and assume facts not in evidence, in that the Alternative Model relies on numerous unfounded assumptions.</p>
<p>The first step for a city in financial distress is to take a hard look at its current position and short-term and long-term prospects. This involves determining the causes of its economic distress and the likely sources of revenues and costs for the foreseeable future, with a focus on the drivers of those costs and revenues. This is basically a “where are we” review, with a focus both on the present and the future. This review must be a granular and realistic rather than summary and aspirational, and it must look at the situation as it is, and not as the city wishes it were or could be. (Bobb Decl., Exh. B., pp. 20-21).</p>	<p>The City objects on the grounds that these statements lack foundation.</p>
<p>There is no evidence that Stockton has ever taken this approach prior to the AB 506 process. The economic problems facing Stockton were apparent in 2008; indeed, the City cites a December 2007 newspaper article highlighting the housing problems already apparent in Stockton.¹ That and similar news stories should have triggered a review by someone in the City’s finance/budget department to sound an alarm that the City’s principal revenue source – and the basis of much of the City’s budgetary prosperity in prior years – was in jeopardy. When the economic recession and housing decline were in full swing in 2008-09, there is no evidence that anyone stepped back, took a look at the City’s situation as a whole, and did a comprehensive review of where the City</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the application of Bobb’s experience in Detroit to the City’s situation is vague, speculative, and assumes facts not in evidence.</p>

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<p>stood, what was likely to occur in the years to come, or engage in any long-term planning. The City appears to have lurched from one crisis to another, facing projected deficits of \$23 million for FY 2010-11 and \$37 million for FY 2011-12 that needed to be addressed.² As was the case with my experience in Detroit, a financial crisis cannot be resolved without a clear picture of where the city stands. Indeed, in a financial crisis, the heart and soul of what a crisis manager does is managing the city’s financial resources, and a manager must have an accurate picture of revenues and expenditures to carry out that responsibility and a long-range plan for addressing the distressed city’s financial problems. (Bobb Decl., Exh. B., p. 21).</p>	
<p>Instead of conducting a comprehensive review of its situation, the City began <i>ad hoc</i> efforts to use furloughs to reduce the costs of the “unsustainable” labor contracts that the City had improvidently executed with its employees. But even this cost cutting was ineffective. In 2009, at the same time that the City was seeking to cut costs by using furloughs for the police and other city employees, it was agreeing to a 15% increase in police pay. As even the City noted, it agreed to this increase at a time when it “was in the midst of a financial crisis, and many of the City’s citizens were suffering from layoffs and reduced pay.”³ The City’s <i>ad hoc</i> efforts continued, and the City has acknowledged that it abandoned long-term planning in connection with the financial crisis. In their letter to the Mayor accompanying the FY 2010-11 Comprehensive Annual Financial Report (“CAFR”), in the discussion of long-term financial planning, the City Manager and CFO stated: “The City of Stockton has concentrated its long range financial planning on capital</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City only engaged in “<i>ad hoc</i>” efforts is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>

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<p>investments and its utility operations. Departments have been encouraged to plan beyond the annual budget process, but their plans are not a formal part of the budget process, instead they provide context for current budget proposals. <i>In recent years, long range planning had to give way to urgent current budget priorities as the City concentrated on dealing with falling revenues and the rising costs of its obligations to employees, retirees and bondholders.</i>⁴ (Bobb Decl., Exh. B., p. 22).</p>	
<p>Unfortunately, that is exactly the wrong approach, and it leads, as in this case, to the short-term perspective in dealing with the current crisis, rather than stepping back and addressing the current crisis in the context of the long-term goals that the crisis team establishes for the distressed city. That short-term focus in part explains how Stockton has come to its current place. (Bobb Decl., Exh. B., pp. 22-23).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the City’s alleged failure to adopt Bobb’s long-term goals is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>One of the principal shortcomings of the current administration’s short-term focus has been its failure to address more quickly Stockton’s financial accounting and reporting problems. Stockton’s financial recovery has been complicated by the total lack of timely and reliable financial information. Indeed, the City’s entire financial reporting system has been in disarray, as exemplified by the status of the City’s FY 2010-11 CAFR. Stockton’s fiscal year ends on June 30, and the FY 2010-11 CAFR was finally presented to the City Council for approval on December 11, 2012. The annual CAFR is usually published approximately six months after the end of the financial year, but in this case, it took a year and a half for the auditors to complete their audit of the FY 2011 financial statements. In addition to the auditors report, the auditors identified 12 material weaknesses, 25 significant deficiencies and one other matter in the</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged “material weaknesses” and “significant deficiencies” in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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2 memorandum on internal controls and 3 required communications. ⁵ Furthermore, 4 the FY 2010-11 CAFR identified prior 5 period adjustments of \$15.1 million 6 relating to accounting errors, and 7 allowances for interfund loan losses. ⁶ 8 (Bobb Decl., Exh. B., p. 23).	
9 The shadow of doubt over the integrity of 10 Stockton’s financial statements is so 11 serious that the California State Controller 12 is conducting his own separate 13 investigation to determine the source of the 14 problems with Stockton’s financial 15 reporting systems. On April 2, 2012 the 16 State Controller wrote to the City and 17 stated that it had failed to comply with state 18 laws regarding submittal of annual 19 financial transaction reports for FY 2011 20 and that the City’s FY 2009-10 reporting “raise[s] questions regarding their reliability.” Based on these problems, the State Controller “concluded that there is reason to believe that the City’s ability to provide reliable and accurate financial information relating to the required financial reports is questionable.” ⁷ This investigation by the State Controller’s Office is ongoing, and various additional investigations continue. (Bobb Decl., Exh. B., pp. 23-24).	The City objects on the grounds that these statements lack foundation. Furthermore, the City objects that the Alternative Model proposed by Bobb is extremely speculative and assumes facts not in evidence, in that it makes numerous unfounded assumptions. Moreover, the City’s “failure” to adopt the Alternative Model, either in its entirety or in any given respect, is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.
21 The true nature of the City’s financial 22 issues cannot be known until the City has 23 reliable financial records and a system of 24 internal controls that allow for the 25 accounting and reporting of accurate 26 financial information on a timely basis. Timeliness is important because decision makers can make progress in addressing a distressed city’s financial problems only if they have accurate and timely information. The Government Finance Officers Association (“GFOA”) has issued a best 28 practice memorandum on timeliness that	The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.

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<p>recommends that financial information should be available as soon as possible after the end of the relevant reporting period,⁸ and in my experience, reporting packages with year-to-date overall financial performance, budget-to-actual collections and spending and fund cash balances should be available within five to ten days of the month’s end. The City is not producing any of those reports on a timely basis and instead provides “periodic reports” to the City Council.⁹ Simply put, the City’s current and historical practice does not allow City leaders to track Stockton’s financial performance or make timely and necessary decisions on how to address the financial crisis. (Bobb Decl., Exh. B., p. 24-25).</p>	
<p>The City’s approach is to blame its financial problems on “prior administrations,” but its inability to issue the 2011 audited financial statements in a timely manner is the responsibility of the current administration, which came to Stockton in the spring of 2010. At that time, the City Manager clearly was aware of Stockton’s financial crisis, including the problems with its financial controls. Accordingly, upon taking office, the City Manager should have recognized that the City’s inability to present accurate financial information was a matter of highest priority and at a minimum established a task force or hired outside consultants at that time to allow the City to get to the bottom of the issue and address these problems. Instead, in the midst of its acknowledged financial crisis, the City continued with its “business as usual” approach toward the financial reporting and controls issue. That is one reason the audit took 18 months. (Bobb Decl., Exh. B., p. 25).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>The result has been an ongoing disaster. Over a year after the City Manager assumed overall responsibility for the City’s financial operations, on September 12, 2011, then-City Chief Financial Officer Susan Mayer wrote a memorandum to Deputy City Manager Laurie Montes in which Ms. Mayer noted the ongoing incompetence of the existing finance operations:</p> <p>“After eight months with the City, I continue to be amazed at the Department’s past failures to capture, communicate and control the City’s essential and diminishing financial resources. Financial planning and reporting failures have misrepresented the City’s condition and left the City at the brink of insolvency.”¹⁰</p> <p>(Bobb Decl., Exh. B., pp. 25-26).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>
<p>Ms. Mayer laid out the specifics of the shortcomings of the Administrative Services Department and stated that the “depth of department challenges approach gross negligence that has built up over the past years and decades . . . Basic and essential process and controls are simply not in place.”¹¹ Among the shortcomings of the department cataloged in the memorandum were:</p> <ul style="list-style-type: none"> • the City’s failure to reconcile its bank accounts, • the City’s failure to reconcile a housing portfolio of \$100 million to its general ledger since 2008, resulting in a misstatement of over \$2 million, • the City’s failure to reconcile its utility billing system to the general ledger for years, • the City’s accumulation of \$130 million in inter-fund borrowings 	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>

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<p>through June 2010,</p> <ul style="list-style-type: none"> • overcommitments of the capital program in excess of \$20 million, and • overstatement of General Fund accounts by \$4 million.¹² <p>(Bobb Decl., Exh. B., p. 26).</p>	
<p>The memorandum also notes problems with key staff losses and external audit lapses, and states that “[o]perating deficits have been papered over and overtly covered to avoid disruption to services and project delivery.”¹³ She made clear that her group did not have the ability to produce timely and accurate financial information: “I remain challenged to cobble together the reliable financial data points necessary to support program and executive team decisions.”¹⁴ (Bobb Decl., Exh. B., pp. 26-27).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>
<p>The CFO pointed out that there continued to be fundamental issues with the integrity of the City’s financial information: “We have not yet hit bottom in discovering material misstatements in the City’s financial records and the lapses in processing, substantiation, analysis, and management review that have enabled this condition.”¹⁵ (Bobb Decl., Exh. B., p. 27).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>
<p>Ms. Mayer’s conclusion was bleak:</p> <p>“We have not yet reached bottom in our service delivery. The depth of internal control and valuation issues, coupled with outdated technology and compounded by management vacancies, continues to hold back timely reporting and the forward strategy necessary to ensure the City’s fiscal survival.”¹⁶</p> <p>(Bobb Decl., Exh. B., p. 27).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>

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<p>Two months later, on November 4, 2011, the City’s auditor Maze and Associates was writing the City that potential errors and issues with Stockton’s financial statements “raised doubts about the adequacy of procedures and the accuracy of certain balances and transactions,” finding that the deficiencies affected “bank reconciliations, investment income allocations, accounts receivable, cash collection site controls, notes and loans receivable, accounts payable, accrued compensated absences, payroll taxability, and interfund balances.”¹⁷ The auditor sought to amend the audit contract as a result of these problems, stating: “In my 30 years in auditing local government, this is the first time I have had to request a contract amendment because of the identification of so many potential errors and issues which affect prior years.”¹⁸ (Bobb Decl., Exh. B., p. 27-28).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>
<p>These financial problems should have been addressed at an earlier stage, probably through a special task force to address the City’s financial accounting and reporting weaknesses. The City cannot make any significant strides to resolve its financial problems if its leaders do not have the financial information they need on a timely basis to move the City forward. It has now been over a year since Ms. Mayer wrote her memorandum, and the City still lacks the ability to provide budget-to-actual information on a timely basis to allow for monitoring of the City’s performance, the audit of the FY 2010-11 CAFR has only just been completed, the audit of the FY 2011-12 CAFR may not have even begun, and the State Controller has not yet concluded its review. Having been in office for over two years, the City Manager cannot pass off these critical financial accounting and reporting problems as</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, these statements are vague, speculative, and assume facts not in evidence with regard to how the City would have appointed a special task force, what functions that task force would serve, what the cost and delay such a task force would have entailed, and what benefit the task force would have provided. Furthermore, the alleged lack of timeliness in the City’s financial statements are irrelevant to the question of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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2 failures of the prior administration, and the 3 City cannot make the right decisions if it 4 does not have accurate and timely financial 5 information. (Bobb Decl., Exh. B., p. 28).	
6 After getting a clear sense of where the 7 distressed city stands and its financial 8 picture, crisis managers then undertake the 9 next step of making hard choices on budget 10 priorities. This involves a process of 11 distinguishing between what I call the 12 “Must Haves” and “Nice to Haves.” In 13 short, the distressed city has to make the 14 hard decisions between those services that 15 it regards as core services that it <u>must</u> fund 16 and other functions that may provide public 17 benefits but that it can no longer afford. 18 (Bobb Decl., Exh. B., pp. 28-29).	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions that the City did not “make the hard decisions” between “Must Haves” and “Nice to Haves” are vague, speculative, and assume facts not in evidence. These statements are also irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Moreover, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect, is also irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.
19 In this case, Stockton claimed in the days 20 prior to filing for bankruptcy that “[w]e 21 have tried everything.” ¹⁹ But the record is 22 clear that Stockton never engaged in the 23 hard work of deciding on the City’s 24 priorities in the provision of services -- 25 what were “Must Have” and what were 26 “Nice to Have” services. Similarly, 27 Stockton never carried out any zero based 28 budgeting or fundamental program review, where each city program is reviewed and has to be justified in terms of mission, the level of service, and the dollar amount associated with that program. ²⁰ Each component of this budgeting process is a separate review and allows for determination of priorities, changes to existing practices, and determination of appropriate funding, or alternative sources for such funding. I have been involved in such reviews in Kalamazoo, Oakland, Detroit, and Richmond. They are painful processes, as difficult choices have to be made. But they are a critical process for a distressed city to undergo because the process can strip away bureaucratic budgetary control and identify many opportunities to cut spending, combine	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions that the City did not “engage in the hard work” of deciding between “Must Haves” and “Nice to Haves” are vague, speculative, and assume facts not in evidence. These statements are also irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Moreover, the application of the experiences of Kalamazoo, Oakland, Detroit, and Richmond to the City’s situation is also vague, speculative, and assumes facts not in evidence. Finally, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect, is also irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.

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<p>programs, and both improve service and save costs. Such a review is invaluable in providing a framework for making the difficult budgetary choices, comparing services across different departments and policies, and carrying out the hard decisions that are the key to addressing a distressed city’s finances. (Bobb Decl., Exh. B., p. 29).</p>	
<p>A couple examples immediately arise with respect to Stockton: Should the City be in the business of subsidizing recreational facilities at a time when it is struggling to fund its police department? And what should be Stockton’s role, if any, with respect to a minor league baseball team, its stadium, the Bob Hope Arena, other entertainment venues and similar facilities, and should those facilities be maintained in a manner that does not involve payment of any City funds? In FY 2011-12, the City budgeted subsidies of over \$2.4 million for entertainment venues facilities and operations, and the FY 2012-13 budget includes funding to revitalize one of its recreational facilities.²¹ In adjustments to the FY 2012-13 budget, Stockton is proposing an additional \$55,000 on top of the existing subsidy for the certain other recreational facilities, due to decreased revenues from lower public usage. The City proposes an additional subsidy of \$225,000 for Entertainment Venues because the bookings produced less revenue than anticipated.²² (Bobb Decl., Exh. B., p. 30).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect (including as to its decisions regarding the stadium and entertainment venues), is also irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>These facilities are all wonderful amenities, but that is what they are – amenities, and in light of the City’s financial crisis, is Stockton in the “amenities” business? These questions need to be asked with respect to every City function and operation. Those services that the City</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City did not decide between “Must Haves” and “Nice to Haves” is vague, speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Moreover,</p>

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2 cannot function without are the “Must 3 Haves” that Stockton should continue to 4 fund. But those services that are “Nice to 5 Haves” should be cut, privatized, funded in 6 another manner, or considered for sale. 7 Stockton has not made these hard choices, 8 in essence defaulting to everything being a 9 “Must Have.” Without making clear 10 choices about “Must Haves” and “Nice to 11 Haves,” the City cannot make rational 12 budgeting and expense decisions that 13 reflect its core priorities or what its future 14 role should be, other than a city in 15 continuing crisis. (Bobb Decl., Exh. B., 16 pp. 30-31).	the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect (including as to its decisions regarding the stadium and entertainment venues), is also irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.
17 One example of a “Nice to Have” is the 18 library system, which clearly is not a core 19 service of a city but is an amenity that 20 provides benefits to a segment of residents. A number of jurisdictions, including Oakland, Los Angeles, Berkeley, Mendocino County, Stanislaus County, County of Solano, City of Mt. Shasta, and Fresno County, have established or are implementing special taxes to fund library services. Library services were listed favorably in recent polling carried out by Stockton earlier this year, and a tax supporting library services would allow these services to be offered based on the funds raised by the tax without impacting the General Fund. (Bobb Decl., Exh. B., p. 31).	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City did not decide between “Must Haves” and “Nice to Haves” is vague, speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Moreover, Bobb’s conclusion that the City could have imposed a new library services tax is also vague, speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.
21 This is the kind of analysis that should 22 have been implemented before the City 23 commenced the AB 506 process and needs 24 to be considered for all services determined 25 to be Nice to Have amenities that the City can no longer afford to provide given its current circumstances. (Bobb Decl., Exh. B., p. 31).	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City did not decide between “Must Haves” and “Nice to Haves” is vague, speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.
26 Along with making the hard choices on the 27 Must Haves v. Nice to Haves, the other 28 important step for a distressed city is to look for creative ways of addressing its	The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City did not decide between “Must Haves” and “Nice to Haves” is vague,

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<p>financial problems. Although the consequences of a city’s financial distress are wrenching for all involved, a crisis has one benefit: it clears away the rhetoric, the outmoded ideas, great ideas of the past that time has passed by, and the shibboleths that have prevented fundamental change over the years. In short, a financial crisis puts <i>everything</i>—and that means <i>everything</i>—on the table. A financial crisis helps make clear the alternatives and makes viable various options that are not politically possible in a “business as usual” environment. All assumptions need to be reexamined, all alternatives – raising revenue, reducing costs, and eliminating, combining, selling, or privatizing services – are available, and old ways of thinking must give way to new. This is an area in which the GFOA has done great work to help identify new ways for distressed cities to address their problems.²³ In my work in Kalamazoo, Oakland, Detroit, and Richmond, my teams and I engaged in creative ways of cutting costs, combining city functions, privatizing certain services, opening up city services to new suppliers, and arranging for assets to be sold to third parties. In taking these steps, we focused on devising new ways to provide services that meet the needs of the community in a cost-effective manner. (Bobb Decl., Exh. B., p. 31-32).</p>	<p>speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. Moreover, the applicability of the experiences of Kalamazoo, Oakland, Detroit, and Richmond to the City’s situation is vague, speculative, and assumes facts not in evidence. Finally, Bobb’s high-minded rhetoric regarding the opportunities presented by a financial crisis is also irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Putting all options on the table in part means considering your financial situation clearly and realistically. The City’s pension obligation to CalPERS is its largest liability, and this obligation is projected to increase 94% in the next decade, a period during which the City projects a cumulative \$100 million budget shortfall.²⁴ As part of any plan to address its financial crisis, the City must engage CalPERS about ways to reduce this looming liability. But the evidence is that Stockton</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, to the extent Bobb’s conclusion implies that the City could have legally reduced its PERS obligations, it is an improper legal conclusion. Finally, Bobb’s conclusion that the City should have “engaged[d]” CalPERS is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>studiously avoided engaging with CalPERS²⁵ and even waited until late last month to request a hardship from CalPERS,²⁶ when such a request could have been made at any time in the past. The City’s failure to engage CalPERS makes clear that the City is not looking at all options in addressing its financial crisis. (Bobb Decl., Exh. B., pp. 31-32).</p>	
<p>Stockton also has not proposed or considered innovative or transformative plans to reduce its costs or improve its services, for example:</p> <ul style="list-style-type: none"> • It has failed to develop new “shared service” agreements with surrounding county governments, school districts, or other public or private entities to reduce costs as a result of the financial crisis. • No priority has been given to exploring privatizing services such as code enforcement, building inspections, building maintenance, grants management, etc. These are all services that can be done less expensively through contracting with private sector companies than municipal government employees. For example, the City has over \$7 million in unpaid parking tickets. Collection of these tickets could be turned over to a private collector. Fleet management, information technology, and payroll are examples of other services that could be privatized or outsourced. • There is a civilianization plan to expand the use of civilians for all non-sworn police functions, but we could not determine that it has been implemented. • There was no analysis or study conducted to consider the feasibility 	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions that the City has not proposed or considered “innovative” or “transformative” plans are vague, speculative, and assume facts not in evidence. Moreover, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect (including the alleged failure to consider whatever options Bobb considers “innovative” or “transformative”), is also irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>of a four day workweek for non-safety personnel in addition to or in lieu of furlough days. In addition, overtime procedures should be reviewed to develop policies that minimize overtime costs.</p> <ul style="list-style-type: none"> • There is no evidence of the City Administration conducting any “first in class” or “best practices” research to review or implement the recommendations of the GFOA on how cities can address financial distress or explore how other cities have dealt with similar financial issues. • There is no evidence of serious consideration to consolidate and/or eliminate entire departments such as the police and fire departments and dispatch centers. • There is nothing “transformative” about the approach the city has taken in addressing its financial problems. They have followed the traditional route of furlough days, salary reductions, and layoffs. <p>(Bobb Decl., Exh. B., pp. 33-34).</p>	
<p>It is easy to say that these alternatives would not have worked in Stockton, but that mindset is part of the problem. As noted above, in a distressed city situation, it is important to put politics aside, think about the problems differently, and put everything on the table. (Bobb Decl., Exh. B., p. 34).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s rhetoric that it is “easy to say these alternatives would not have worked in Stockton” and that the City should “put politics aside” is vague, speculative, assumes facts not in evidence, and is entirely irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Stockton has not approached its financial crisis in this manner. I will cite two examples. First, in his deposition, Chief Jones was asked if he had engaged in any “outside the box” thinking about the current issues affecting the Stockton Police Department (SPD) . As an example, he cited the “Reprioritization of Calls for</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, whether or not the City has engaged in what Bobb would consider ““outside the box’ thinking” is vague, speculative, assumes facts not in evidence, and is entirely irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>Service” listing the priorities pursuant to which SPD would respond to calls as “outside the box” thinking.²⁷ But that is merely looking at the existing services the SPD is providing and saying that the SPD no longer has the resources to provide certain of those services under various circumstances. (Bobb Decl., Exh. B., p. 34).</p>	
<p>An example of “outside the box” thinking is the proposal by the Camden, N.J. police department to merge with the county and provide police service on a countywide basis, as a way of starting a new police service that is not bound by the pay or service standards of the past.²⁸ (Bobb Decl., Exh. B., p. 34).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, whether or not the City has engaged in what Bobb would consider ““outside the box’ thinking” is vague, speculative, assumes facts not in evidence, and is entirely irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. Moreover, the applicability of the experience of Camden to the City’s situation is vague, speculative, and assumes facts not in evidence.</p>
<p>Interestingly, the City of San Bernardino is considering a plan to put out an RFP to outsource its police services.²⁹ Chief Jones testified that there were discussions with San Joaquin County about possible coordination efforts, but “a multitude” of problems were cited, such as different policies and procedures, the use of different radio frequencies, the logistics of 911 dispatching, jurisdictional and command structure issues, the County’s own resource shortfalls, and the transactional costs of the project. Consequently, the effort led nowhere.³⁰ The existence of such problems are standard bureaucratic reasons for not taking action, but viewing this issue from a different perspective – that of homeland security – and the need for first responders in neighboring jurisdictions to be able to communicate in the event of a natural disaster or terror event can make available other resources and offer the prospect of making coordination a reality, and not just an exercise in developing reasons not to act. (Bobb Decl., Exh. B., pp. 34-35).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the applicability of the experience of San Bernadino to the City’s situation is vague, speculative, and assumes facts not in evidence. Furthermore, Bobb’s conclusion that there are only “standard bureaucratic reasons” not to adopt these measures is also vague and speculative. Finally, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect, is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>The City’s approach to the compensation of its public employees reflects a similar lack of vision that basically assures that the City will continue to overpay its employees. The overly generous wages and benefits paid by Stockton are the most significant financial problems facing the City. Personnel costs have amounted to more than 70% of the Stockton’s budget cost, and the overly generous wage and benefit payments have strained the City’s ability to deliver essential services. It is simple math that \$10 million in Stockton funds will allow Stockton to put 40 police officers on patrol if the all-in cost of each officer is \$250,000 or 50 officers on patrol if the all-in cost per officer is \$200,000, a 25% difference. To the extent that Stockton has been paying overly high wages and benefits, as the City concedes, the quality of services has suffered because it has not had the benefit of the additional manpower that lower and more appropriate wages and benefits would have enabled. (Bobb Decl., Exh. B., p. 35-36).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could attract additional manpower by lowering its compensation and benefits is vague, speculative, and assumes facts not in evidence. Furthermore, the City’s “failure” to adopt the Alternative Model proposed by Bobb, either in its entirety or in any given respect (including by imposing further compensation and benefits cuts), is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>Stockton’s own documents highlight that the City entered into “unsustainable” labor contracts with its various unions.³¹ In addition, the City has conceded that the wage and benefit packages were determined by salary comparisons with other cities that had “little or marginal relevance to Stockton” or were based on “irrational comparisons” to the City.³² Indeed, the entire “salary comparison” process for setting wages and benefits has been used by labor unions in California to “ratchet up” wage and benefit levels throughout the state for the past two decades. The practice is widespread and well known, and I have participated in a number of negotiations in which it has occurred: a union would secure a concession for its members on a wage, benefit, or “additional payment” from one jurisdiction, and then unions in other cities</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions as to the propriety of the process by which city wage and benefits packages have been determined are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>in the region would cite that concession as something that had to be adopted in their contract in order for the city to remain “competitive” with the other jurisdiction. This inevitably made the concept of “me too” become the norm rather than the exception. With frequent contract negotiations between unions and local jurisdictions, there were many opportunities to obtain concessions from different jurisdictions and then leverage those concessions in negotiations with other cities. Through the use of the “salary comparison” mechanism, these concessions would then be adopted by other jurisdictions, and then be included in the higher baseline for the next set of negotiations, where the process would begin again with new concessions being sought, obtained, and then serving as the basis for another round of “ratcheting up.” (Bobb Decl., Exh. B., pp. 36-37).</p>	
<p>Although the “comparative city” approach certainly contributed to the high level of Stockton’s compensation levels, Stockton’s wages and benefits have exceeded even the compensation levels found in other jurisdictions. Stockton has admitted that it did not pay attention to the total compensation paid to its employees until 2010/2011,³³ and that may explain how the City’s wages and benefits somehow became substantially higher than even the inflated compensation levels paid to California public employees who benefited from their union’s aggressive “ratcheting up” campaign. Even if the City is correct that the wage and benefit levels have been reduced to be roughly comparable to those paid by other cities, that still does not address the underlying overpayments spawned by the “ratcheting up” process that has led to overcompensation of many California public employees. (Bobb Decl., Exh. B., p. 37).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions as to the propriety of the process by which city wage and benefits packages have been determined are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>City Manager Deis is continuing to rely on the comparative city analysis, claiming that Stockton must pay “competitive” wages and benefits to attract and retain talent. In a letter to Governor Brown dated August 15, 2012, City Manager Deis stated that Stockton could not afford to reduce its pension obligations unilaterally because that would put it at a competitive disadvantage compared to other cities, and he attached a memorandum from Chief Jones claiming there would be a “mass exodus” of police officers if pensions were cut.³⁴ Stockton is continuing to use “competitiveness” as its framework for compensation decisions and clinging to the “comparable city” framework that got it into its current problems. It is surprising that City Manager Deis, who is critical of the “poor decisions made by previous City leaders,” now makes the exact same mistake his predecessors did with respect to the largest cost driver in the City’s budget. He claims that the City must remain “competitive” with other cities, and how does he propose to measure “competiveness” -- using the same “comparable city” analysis that drove Stockton over the cliff in the first place in its negotiations with unions, perhaps with different cities, but eventually to the same effect. He wants Stockton to keep pace with the same inflated wages being paid by other California cities using the “comparable city” analysis that lets the unions continue to “ratchet up” wages and benefits as they have done for the past couple decades. (Bobb Decl., Exh. B., pp. 37-38).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions as to the propriety of the process by which city wage and benefits packages have been determined are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402. Moreover, Bobb’s conclusion that the City does not need to pay “competitive” wages and could unilaterally reduce its pension obligations is vague, speculative, and assumes facts not in evidence.</p>

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<p>2 As noted above, with a crisis, all 3 assumptions must be open to being 4 rethought. City Manager Deis stated during 5 his deposition that his views on 6 “competitiveness” are based on his 30-plus 7 years of experience.³⁵ Instead of simply 8 following this experience and adopting the 9 “competitiveness” mantra with its one-way 10 escalator to paying higher wages, City 11 Manager Deis should have been looking at 12 other ways for Stockton to address its 13 compensation issues, to abandon the 14 “competitiveness” standard that is the 15 delight of the public employee unions. For 16 the majority of City workers, including 17 most non-safety jobs, and excluding 18 department heads and other specialized 19 positions, City Manager Deis and Stockton 20 should abandon the “comparative city” analysis and look at the competitive employment situation in Stockton in establishing compensation for its workers. What is the relevance of what clerks get paid in other California cities to the City’s interest in hiring someone to a clerk position in Stockton? Stockton will be able to hire talented people based on market conditions in Stockton and need not be concerned about pay in other cities that do not reflect Stockton’s market conditions. (Bobb Decl., Exh. B., p. 38-39).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City should abandon the “comparative city” analysis in favor of “look[ing] at the competitive employment situation in Stockton” is vague, speculative, and assumes facts not in evidence. Furthermore, Bobb’s conclusion as to the propriety of the process by which city wage and benefits packages have been determined and his conclusion that the City should abandon the “comparative city” analysis are irrelevant in that they do not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>
<p>21 The City has not followed the steps cities 22 in crisis should and typically do take, 23 which are outlined in this report. Instead, 24 the City has worked to reduce the 25 “unsustainable” labor contracts that 26 resulted in excessive overpayments to city 27 workers for over a decade, and having 28 taken away the worst of the excesses, now claims that city employees and service recipients have “borne the entire brunt of our restructuring efforts so far” and that “now its time for others” to contribute to resolving Stockton’s problems.³⁶ As a</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusion that the City has not done enough to cut its compensation and benefits is vague, speculative, and assumes facts not in evidence. Moreover, the fact that the City has not “followed the steps” outlined in the Alternative Model, either in its entirety or in any given respect, is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility. Fed. R. Evid. 401, 402.</p>

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<p>crisis manager, in a distressed city context, getting a group to surrender unearned economic benefits does not constitute “suffering”; it is more properly called a “first step.” (Bobb Decl., Exh. B., p. 39).</p>	
<p>Perhaps the City leaders believe that they have had to work hard to achieve the employee cutbacks, and perhaps they do not want to continue to engage the public unions further on wage and benefit issues. This will lead to escalating wage and benefit costs in the years to come in future contract negotiations. The fundamental problem with the City’s approach is the failure by past and current City administrators to take the long term view and develop an overall plan for addressing its long-term fiscal problems, and the difficulty in obtaining concessions is the result of its <i>ad hoc</i> approach. (Bobb Decl., Exh. B., pp. 39-40).</p>	<p>The City objects on the grounds that these statements lack foundation. Bobb’s conclusion that City leaders may “believe that they have had to work hard to achieve the employee cutbacks, and perhaps they do not want to continue to engage the public unions further on wage and benefit issues” is pure speculation, as well as being vague and assuming facts not in evidence. Furthermore, Bobb’s conclusion that the City’s has “fail[ed]” to “take the long term view” is also vague, speculative, assumes facts not in evidence, and is irrelevant in that it does not weigh on the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Because the City has failed to take the steps that it should have considered in response to its economic situation, Nancy Zielke of Alvarez & Marsal and I have undertaken that project. The remainder of this declaration, read in conjunction with the Zielke Expert Report, makes the difficult choices that the City has failed to consider and sets out the steps that Stockton should have taken prior to filing for bankruptcy relief. If these steps had been taken as set forth in the Alternative Model, the City could have balanced its budget for the fiscal year beginning July 1, 2012. At pages 33 to 57 of her expert report, Ms. Zielke has presented the Alternative Model, which lists the changes to the City’s FY 2012-13 baseline budget, along with the resulting numbers and their financial consequences. Based on my experience as a crisis manager, the choices reflected in the Alternative Model are realistic, feasible, and appropriate, and the</p>	<p>The City objects on the grounds that these statements lack foundation. The recommendations in the Alternative Model proposed by Bobb and Zielke are speculative and assume facts not in evidence. Moreover, Bobb’s conclusion that the “choices reflected in the Alternative Model are realistic, feasible, and appropriate” is also vague, speculative, and assumes facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>kinds of steps that Stockton should have implemented and that have been implemented by other jurisdictions to address their financial problems. (Bobb Decl., Exh. B., p. 40).</p>	
<p>At the outset, I readily concede that this Alternative Model makes painful, and unpopular, choices. But that is what is necessary in a financial crisis, and that is what the City’s leaders have failed to do. (Bobb Decl., Exh. B., p. 40).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s statement that the City has failed to make “painful, unpopular choices” is vague, speculative, and assumes facts not in evidence. Moreover, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The Alternative Model has two components. It first lists additional revenues that the City should have considered and implemented in conjunction, in certain instances, with voter referenda on the proposals and advocacy on the part of Stockton’s elected leadership to rally constituents to support the ballot measures for the good of the City. After consideration of additional revenues, the Alternative Model then lists reductions in expenses, reflecting choices between “Must Haves” and “Nice to Haves” that City leaders have again failed to make. (Bobb Decl., Exh. B., p. 41).</p>	<p>The City objects on the grounds that these statements lack foundation. The recommendations in the Alternative Model proposed by Bobb and Zielke are speculative and assume facts not in evidence. Moreover, Bobb’s conclusions as to the City’s choices between “Must Haves” and “Nice to Haves” are also vague, speculative, and assume facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Any consideration of how to address Stockton’s financial problems must include consideration of additional revenue sources. Indeed, it is difficult to believe that the City has not taken steps to try to increase revenue through additional tax revenues and user fees and has instead indicated that Stockton’s citizens should not be asked to contribute to resolution of the City’s financial crisis. Under California law, any increase in taxes has to be approved by its citizens, and the City so far has taken almost no steps to make it possible to implement new taxes. The City has sponsored two separate opinion surveys</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>2 – one in 2010 and one earlier this year in 3 2012³⁷ – but no other steps have been 4 taken, and indeed, statements by the City 5 Manager to citizens and to the City Council 6 have indicated that taxes should not be 7 increased at this time. In his February 28, 8 2008 memorandum to the Mayor and City 9 Council, City Manager Deis stated that 10 Stockton’s citizens should not be asked to 11 contribute to resolving the financial crisis 12 at this time: 13 “Another option would be to ask for 14 tax increases. Even if the voters 15 would approve such a proposal, we 16 just don’t think they should be asked 17 to fix this problem, at least until we 18 explore other alternatives, address 19 our liquidation exposure and get our 20 house in order.”³⁸ 21 (Bobb Decl., Exh. B., pp. 41-42).</p>	
<p>15 The City Manager should not have been 16 making such judgments on taxes at that 17 time. As an initial matter, in a financial 18 crisis, the distressed city should be looking 19 to increase its options, not reduce them. 20 More importantly, the mix of policies to 21 address Stockton’s financial crisis should 22 be decided by Stockton’s political leaders, 23 the Mayor and City Council, and City 24 Manager Deis should be presenting the 25 alternatives to the Mayor and the City 26 Council and allow the politically elected 27 City Council members to make the 28 determination of the role, if any, of taxes in any resolution of Stockton’s financial crisis. For this reason, the City Manager should have carried forward with the surveys the City conducted in both 2010 and 2012 by bringing all alternatives to the City Council, which should have debated and ultimately decided the tax issues and any other steps to be taken. With sound fiscal and operational management, the City Manager can advocate for a tax</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb’s conclusions as to the propriety of the City Manager’s actions are vague, speculative, assume facts not in evidence, and are irrelevant to the Court’s determinations of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>increase, and as City Manager Deis stated, “fix the problem” at the same time. (Bobb Decl., Exh. B., p. 42).</p>	
<p>The Alternative Model suggests that the City could have and should have sought to raise local sales taxes by 0.5 percent. This small increase in the sales tax would provide significant revenue, close to \$18-19 million annually. For FY 2012-13, a portion of that amount (\$4.5 million) could be collected. The sales tax increase would provide funds on an annual basis representing a good portion of the shortfall all by itself, and it demonstrates the importance of additional revenue as a means of addressing Stockton’s financial problems. This provision requires voter approval, but it is an issue on which Stockton’s elected officials need to provide leadership and show the citizens that the City is addressing its problems by both raising new revenue and cutting employee wages and benefits and looking closely at the city services that can be cut while preserving public safety and with, creative thinking, providing services in more cost efficient ways. (Bobb Decl., Exh. B., pp. 42-43).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>A number of California jurisdictions recently voted in favor of sales tax increases. News reports indicate that 48 of 60 general tax increases sought by California cities were approved in the November 2012 elections, and in total 171 of 240 local revenue measures passed in the November elections,³⁹ a sign that the public is receptive to approving tax increases, particularly if they are tied to preservation of services. (Bobb Decl., Exh. B., p. 43).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>The Alternative Model also contemplates a 2% increase in Stockton’s utility user tax rate. This increase would raise the Utility User Tax, which is an amount individuals pay on their utility bills, from 6.00% to 8.00%. As with the sales tax increase, the amount to be raised by this increase would be significant – approximately \$10 million per year, \$2.5 million of which could be collected during FY 2012-13. As in the case of the sales tax increase, this proposal would also require voter approval. It is another means by which the City can obtain a significant source of revenue with relatively little disruption to city residents. Indeed, this is a tax already paid by Stockton residents, and from 1969 until 2008, the rate paid was 8.00%, at which time the rate was lowered to 6.00%. City officials could use the fact that citizens had been paying the 8.00% rate for 30 years to persuade citizens to vote for the restoration of that rate. (Bobb Decl., Exh. B., pp. 43-44).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Many California localities charge a transient occupancy tax on tourists and those using hotels, tourism, and related services. The proposed increase in this tax would require voter approval, but it is a tax that has already been approved by voters at the current rate of 8% rate, and an increase to 10%, which is the level charged by a number of nearby cities, would bring in an additional \$452,000 annually. It is also a tax that generally does not affect the residents but rather visitors, and for that reason, it often receives approval. (Bobb Decl., Exh. B., p. 44).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>Some California jurisdictions have imposed a tax on parcels of land on a fixed rate basis rather than the parcel’s assessed value. Such impositions require voter approval, but the parcel tax is not subject to the property tax limitations of Proposition 13, as the tax is not based on the assessed</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that</p>

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2 value of the property. Vallejo has 3 established a parcel tax of \$48/parcel, 4 Oakland imposes a \$80/parcel tax, and 5 Davis levies a parcel tax of \$49/parcel. A 6 proposed \$48/parcel tax would raise \$3.9 million. To garner support, this tax could be targeted for library support, as previously discussed, and public safety needs. (Bobb Decl., Exh. B., p. 44).	the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.
7 The Alternative Model also suggests an 8 emergency service cost recovery, 9 consisting of a fee paid by insurers to 10 reimburse Stockton for the cost incurred 11 for City employees to respond to 12 emergency calls. The City currently seeks 13 to collect reimbursement from insurers in 14 connection with vehicle fires, and under the 15 proposed measure, the City would seek 16 reimbursement for various other emergency 17 response services, such as medical 18 emergencies, pipeline incidents, special 19 rescues, and hazardous material cleanup. 20 Thus, if EMS responds to a citizen’s call, 21 then the cost of that service would be billed 22 to that individual’s insurer for 23 reimbursement. It is projected that this proposal could raise approximately \$1.6 million annually after full implementation. This is not a revenue enhancement matter, as it is merely recovering the cost of providing the emergency service. This program does not require voter approval, and it could be implemented by City Council action. These costs are currently being recovered by a number of California cities, including Oakland, Sacramento, San Bernardino, Upland, and Pinole. (Bobb Decl., Exh. B., p. 45).	The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.
24 The following are revenue opportunities 25 that could provide additional funds for the 26 City’s General Fund but have not been 27 associated with specific revenue amounts 28 in the Alternative Model. These opportunities include a 911 fee, federal, state, and corporate grants, the sale or privatization of City assets and properties,	The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City’s citizens would support and/or vote to

1 PARAGRAPH OBJECTED TO	GROUNDS FOR OBJECTION
2 and a countywide library tax. (Bobb Decl., 3 Exh. B., p. 45). 4	pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.
5 The 911 fee proposed in the Alternative 6 Model is designed to reimburse the City for 7 the provision of 911 services. In 2004, 8 Stockton put in place a 911 fee of \$1.50 per 9 month to be paid in connection with 10 monthly local telephone charges, but then 11 abandoned it in the face of a legal 12 challenge claiming that the 911 fee was a 13 tax that required voter approval. A dozen 14 California jurisdictions impose the 911 fee, with San Francisco being the largest city to have established the fee in 2008. It can be supported as a measure that will raise money to help defray the cost of a life- saving service for citizens. (Bobb Decl., Exh. B., p. 46).	The City objects on the grounds that these statements lack foundation. Moreover, Bobb's conclusion that the City could have passed any or all of the multiple tax increases and new fees as recommended in the Alternative Model is pure speculation and assumes facts not in evidence (including, but not limited to, the assumption that the City's citizens would support and/or vote to pass these measures). Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.
15 There are a number of federal and state 16 grants and corporate that appear to be 17 available to Stockton that the City is not 18 currently pursuing. No dollar amount is 19 associated with this recommendation, but it is an opportunity for a cash-strapped city to get financial assistance. (Bobb Decl., Exh. B., p. 46).	The City objects on the grounds that these statements lack foundation. Moreover, Bobb's conclusion that the City would have been able to receive additional grants is vague, speculative, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.
21 Stockton does receive grant money from 22 federal and state programs, but it has not 23 pursued a number of federal discretionary 24 grants including the Assistance to 25 Firefighters or a Staffing for Adequate Fire & Emergency Response (SAFER) grants. 26 Similarly, there are California state grants 27 relating to transportation planning, law 28 enforcement, special education and workforce training that could be available to Stockton. For a city in financial distress, these are great opportunities to take advantage of third party funding that can	The City objects on the grounds that these statements lack foundation. Moreover, Bobb's conclusion that the City would have been able to receive additional grants is vague, speculative, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.

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<p>provide either temporary funding or long-term assistance. Some Stockton documents express concern about chasing grant money that contains too many restrictions,⁴⁰ but the various opportunities for additional funds should not be ignored. (Bobb Decl., Exh. B., pp. 46-47).</p>	
<p>There are also opportunities for corporate gifts, naming rights, or sponsorship of programs that can provide sources of revenue for the City. Corporations will often act as sponsors for events, and have been particularly active in the promotion of the arts, either through grants or association with the event. This is a great source of funding to assist with arts programs that can no longer be subsidized from the General Fund. There are also naming rights opportunities, as a company will pay for the right to have its name associated with a popular landmark or property. Companies may also be willing to provide services to the City (e.g., maintaining a park near a corporate facility). (Bobb Decl., Exh. B., p. 47).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City would have been able to negotiate additional revenues through corporate gifts, naming rights, and other sponsorships is entirely speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The City has failed to do any serious review of its assets for sale or privatization. In its Chapter 9 filing, the City included the declaration of Michael Locke, who was in charge of the review of the City’s surplus property.⁴¹ The Locke declaration includes an Exhibit listing the properties that the City was considering selling, but these properties were almost all surplus sites and parcels of land no longer needed by the City.⁴² The Locke Exhibit did not include a number of the principal assets owned by the City, including items such as the Marina, the Bob Hope Theatre, the Stockton Events Center, the municipally-owned Golf Courses, the City’s Water, Wastewater, and Storm Water Utility systems, and other City assets listed at pages 42-43 of the Zielke Expert Report.⁴³ (Bobb Decl., Exh. B., pp. 47-48).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City would have been able to sell its assets for reasonable prices and that such sales would have allowed the City to balance its budget is speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>Review of a city’s assets and properties should be part of the initial review of a City’s financial position. In connection with that initial review, the City should have engaged professionals early on to determine the potential value of such assets, including those listed on pages 42-43 of the Zielke Expert Report. The City should have made the “Must Have” versus “Nice to Have” decisions with respect to each of these assets, and then decided whether to retain, sell, or make other arrangements for each of those assets. As noted previously, the City never engaged in that analysis at any time. I believe the result of such a review would have been the determination that most of these assets were not core assets and should have been sold or otherwise addressed so that the City did not have any ongoing financial responsibility for them. Any sale would have brought in revenue on a one-time basis, reduced annual expenditures by the amount of any subsidy payment, and perhaps increased revenues from tax payments. (Bobb Decl., Exh. B., p. 48).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City would have been able to sell its assets for reasonable prices and that such sales would have allowed the City to balance its budget is speculative, vague, and assumes facts not in evidence. Furthermore, once again, Bobb’s statement that the City “should have made ‘Must Have’ versus ‘Nice to Have’ decision[s]” is also vague, speculative, and assumes facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>In his November 8, 2012 deposition, Mr. Locke stated that the City had recently engaged CB Richard Ellis to review possible sales of the properties listed on the Locke Exhibit.⁴⁴ This is a day late and a dollar short, as noted above. Having said that, even at this stage, if CB Richard Ellis is doing a study of all the City’s assets and the City is reviewing these assets on a “Must Have/Nice to Have” basis, that would be a useful exercise, if it led to the sale or other disposition of non-core assets. (Bobb Decl., Exh. B., pp. 48-49).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that the City would have been able to sell its assets for reasonable prices and that such sales would have allowed the City to balance its budget is speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402. These statements also constitute inadmissible hearsay. Fed. R. Evid. 801, 802.</p>

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<p>As in the case of the 911 fee and federal and state grants, and corporate gifts or sponsorship, we do not establish a dollar figure with respect to the sale of assets, but there could be substantial recoveries and expense reduction from the sale of non-core assets. (Bobb Decl., Exh. B., p. 49).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that he cannot define a specific dollar figure is the very definition of a claim that is speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect (including seeking new fees, grants, and corporate sponsorships), is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>As discussed above (p. 22), a number of jurisdictions have established sales and use taxes for public library services. Libraries are not a core service but an amenity popular with citizens that can be funded with a special tax approved by the voters. San Joaquin County could establish such a tax with voter approval as a way of funding library services without drawing on the General Fund. (Bobb Decl., Exh. B., p. 49).</p>	<p>The City objects on the grounds that Bobb’s conclusion that the City could have imposed a new sales and use tax for public library services is speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect (including the establishment of a library tax), is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>With appropriate voter education and the involvement of the City’s political leadership, all the foregoing revenue enhancements could receive voter approval and do much to spark Stockton’s recovery. Each of the items is a common revenue raising option that already exists or existed in Stockton (e.g., the Retail Sales tax, the Utility User tax, the Transient Occupancy tax, the 911 fee) or can be targeted in a way that improves the likelihood of voter approval (e.g., the Parcel Tax for library services/public safety needs). The important point is that the City Manager and the City’s political leaders must provide leadership on this issue, leadership that to this point has not existed. (Bobb Decl., Exh. B., p. 49).</p>	<p>The City objects on the grounds that Bobb’s conclusion that the City could have passed multiple new taxes and fees with “appropriate voter education” is completely speculative, vague, and assumes facts not in evidence. Furthermore, Bobb’s conclusion that the City Manager and the City’s political leaders have not “provide[d] leadership on this issue” is also vague, speculative, and assumes facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect (including the passage of multiple new taxes and fees), is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>In addition to revenue enhancements, we have also identified additional specific spending reductions that will not affect essential services or impact the City’s legal obligations. As set forth in detail in the Zielke Expert Report, we believe \$24.4 million in reductions is available for FY 2012-13, with an additional \$1.3 million in reductions for FY 2013-14, and a further \$10.4 million in reductions for FY 2014-15. (Bobb Decl., Exh. B., p. 50).</p>	<p>The City objects on the grounds that Bobb’s conclusion that the City could have imposed every one of the numerous budget cuts proposed in the Alternative Model, saved over \$24 million in the first year (and millions more later), and still remained viable while providing necessary City services is completely speculative, vague, and assumes facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The proposed department budget reductions relate to additional cuts that can be taken in the budgets of the non-safety departments. We have made no cuts to the police and fire departments, reflecting their core public safety role. In general, the Alternative Model proposes that non-safety departments target reductions of 15% from their prior year budget levels. In addition, reductions will be made in the general fund support for various community services, as well as reductions in the general fund subsidy for Entertainment Venues, based on their “Must Have/Nice to Have” status. (Bobb Decl., Exh. B., p. 50).</p>	<p>The City objects on the grounds that Bobb’s conclusion that the City could have imposed a 15 percent across-the-board reduction in all “non-safety departments” while still providing necessary City services is speculative, vague, and assumes facts not in evidence. Furthermore, Bobb’s statements as to the City’s decision between “Must Haves” and “Nice to Haves” remain vague and speculative, and assume facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>As part of prior year budget presentations, department heads were directed to propose specified levels of cuts, including the 5%-10%-15% proposals in connection with the FY 2012- 13 budget, but were never provided any guidance as to the priorities and budget goals to be achieved. The departments responded with proposed cuts, but then the cuts were rejected by the City Manager and never adopted by the City Council. Having engaged in zero based budgeting and similar processes and knowing of their benefits, it is my strong view that any request to make spending reductions should include guidelines to be used in determining the nature and level of such reductions. In the absence of any</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusion that a 15 percent across-the-board reduction in all “non-safety departments” is “achievable” is speculative, vague, and assumes facts not in evidence. Furthermore, Bobb’s statements as to the City’s decision between “Must Haves” and “Nice to Haves” as well as the City not utilizing Zero Based Budgeting remain vague and speculative, and assume facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20</p>	<p>guidance, the tendency is to make the largest cuts to the most popular programs with the greatest public or third-party support and then rely on those adversely affected by the spending reductions to argue for their restoration. To be effective, the guidance for any spending reduction decisions should be accompanied by participation of both the department personnel running the programs and members of the finance department championing the spending reductions. The review should examine each program in the department and determine whether each program is an essential (“Must Have”) or non-essential (“Nice to Have”) program, whether the program’s goals can be met in combination or consolidation with other programs, whether that program can be privatized or otherwise shifted in whole or in part to, or funded by, the private sector at lower cost, and whether the program should be eliminated or delivered in another manner through other resources. As noted above, this process leads to a comparative analysis of programs and allows for better judgments about department priorities and those “Must Have” programs that require financial support. With these parameters in place, in my experience, the 15% reductions are definitely achievable. (Bobb Decl., Exh. B., pp. 50-51).</p>	
<p>21 22 23 24 25 26 27 28</p>	<p>On the various cultural proposals, the proposed reductions include elimination of General Fund amounts for “Nice to Have” programs such as the library, the Arts Commission, recreation, municipal recreational facilities, and the entertainment venues. Simply put, these are not core services, and there are alternative ways to fund certain of these programs through targeted taxes (e.g., the parcel tax to be used for library services), grants, and private donations. The City has argued that the library is necessary to help</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, Bobb’s conclusions as to what constitute “Must Haves” and “Nice to Haves” are vague, speculative, and assume facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>with the low reading levels of Stockton students,⁴⁵ but the schools, and not the libraries, should carry out that essential service. The entertainment venues should be funded with monies from events held at those venues and should not be subsidized by the City. Simply put, the City should not be subsidizing such programs in the face of significant “Must Have” public safety needs. (Bobb Decl., Exh. B., pp. 51-52).</p>	
<p>The Alternative Model calls for various healthcare, vacancy savings and new labor agreement changes that amount to approximately \$12.0 million per year. (Bobb Decl., Exh. B., p. 52).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence, in that they rest on numerous unsupported assumptions, including that each of the Alternative Model’s recommendations is feasible, would result in the assumed savings, and would have no detrimental side effects. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>On healthcare, the reductions seek modest increases in the contributions by current employees and introduce a mechanism to begin to address any unfunded liability for the retiree health care benefits. The 25% contribution for healthcare by retirees contemplated by the Alternative Model is reasonable and leaves in place a program that remains more generous than almost any other similar program offered by a California city. Health care costs have been an ongoing issue in most jurisdictions in which I have worked, and these are reasonable actions in an area in which costs have been rising substantially over the years, and parties have come to expect that they must bear higher health care costs. (Bobb Decl., Exh. B., p. 52).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence, in that they rest on numerous unsupported assumptions, including that each of the Alternative Model’s recommendations is feasible, would result in the assumed savings, and would have no detrimental side effects. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court’s determination of the City’s eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>

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<p>The reductions relating to the vacancy rate reflect the calculation of the projected number of authorized positions that the City has not filled for safety and miscellaneous personnel. (Bobb Decl., Exh. B., p. 52).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence, in that they rest on numerous unsupported assumptions, including that each of the Alternative Model's recommendations is feasible, would result in the assumed savings, and would have no detrimental side effects. Furthermore, Bobb's conclusion that the City's budget can simply be revised to show fewer vacant positions being filled assumes that these new hires will not fill these positions over the course of the fiscal year and is thus speculative and assumes facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>On the issue of the new labor cost reductions, the reductions included in the final approved City budget have been included in the Alternative Model. A number of agreements were reached with unions in the course of the AB 506 process, even if some of the agreements were not finalized until after the conclusion of that process.⁴⁶ (Bobb Decl., Exh. B., p. 53).</p>	<p>The City objects on the grounds that these statements lack foundation. Moreover, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence, in that they rest on numerous unsupported assumptions, including that the Alternative Model's recommendations are feasible, would result in the assumed savings, and would have no detrimental effects. Furthermore, the City's decision not to adopt the measures in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The reduction of \$732,000 relates to debt on the marina, which is a "Nice to Have" facility but is in no way related to core services. The City is not legally obligated to make the marina debt service payment, as the debt was not approved by the City Council and citizens. In addition, the subsidy to maintain the marina should similarly be eliminated, and efforts to have a third party assume responsibility should be explored. (Bobb Decl., Exh. B., p. 53).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the assumed savings stated from the reduction of the marina debt are speculative and assume facts not in evidence. Furthermore, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402. Moreover, Bobb's conclusion that the City is not "legally obligated to make the marina debt service payment" is an impermissible legal conclusion.</p>

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<p>The reductions relating to the reinstated fiscal stability measures are all appropriate and reasonable actions to be taken by a distressed city. (Bobb Decl., Exh. B., p. 53).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence in that they rest on numerous unsupported assumptions, including that each of the Alternative Model's recommendations is feasible, would result in the assumed savings, and would have no detrimental side effects. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The consolidation of the police and fire dispatch has been implemented in a number of jurisdictions and would allow the City to save a half million dollars. On a first principles basis, the police and fire dispatch would be offered on a consolidated basis, and the City's financial crisis is the spur that can overcome any bureaucratic opposition from the police and fire departments. As noted above (pp. 25-26), the consolidation of various networks onto a single standard also addresses homeland security concerns with communications among first responders. My team and I carried out this consolidation of police and fire dispatch in Kalamazoo, and it was successful in knitting together the police and fire communications networks, an advantage for both entities and for Kalamazoo's citizens. (Bobb Decl., Exh. B., p. 54).</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, Bobb's presumption that measures taken in other jurisdictions (such as Kalamazoo) could be readily implemented in the City's own context is speculative and assumes facts not in evidence. Finally, the fact that the City did not adopt the recommendations in the Alternative Model, either in their entirety or in any given respect, is irrelevant to the Court's determination of the City's eligibility for chapter 9. Fed. R. Evid. 401, 402.</p>
<p>The changes proposed by the Alternative Model represent a painful, but appropriate, way of addressing Stockton's financial crisis. The additional revenue measures are largely familiar to Stockton voters and should receive the support of the people in conjunction with the City's efforts to reduce expenses, and the cost reductions are the types of savings that Stockton could achieve if it carried out the type of</p>	<p>The City objects on the grounds that these statements lack foundation. Furthermore, the assumed savings stated in the Alternative Model are speculative and assume facts not in evidence, in that they rest on numerous unsupported assumptions, including that each of the Alternative Model's recommendations is feasible, would result in the assumed savings, and would have no detrimental side effects. Bobb's conclusions as to what constitute "Must Haves" and "Nice to Haves"</p>

