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 8

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

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

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

**DECLARATION OF ROBERT DEIS IN
 SUPPORT OF CITY OF STOCKTON'S
 REPLY TO OBJECTIONS TO ITS
 STATEMENT OF QUALIFICATIONS
 UNDER SECTION 109(C) OF THE
 UNITED STATES BANKRUPTCY
 CODE**

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

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1 I, Robert Deis, hereby declare:

2 1. I am the City Manager of the City of Stockton, California (the “City” or
3 “Stockton”). I make this declaration in support of the City’s Reply to Objections to Statement of
4 Qualifications Under Section 109(c) (the “Reply”), and in response to the declarations and reports
5 submitted by Robert C. Bobb (“Bobb”) and Nancy L. Zielke (“Zielke”). I have approximately 33
6 years of experience in county and city governments, and hold a Bachelor of Science degree in
7 Business Administration from California State University, Sacramento, and a Masters degree in
8 Public Administration from Lewis and Clark College. A common thread throughout my 33-year
9 public service career is that I have managed and trouble-shot the finances of cities and counties in
10 three states.

11 2. I became the City Manager of Stockton on July 1, 2010. Prior to joining the City
12 (from 2000 to 2009), I served as the Assistant and then County Administrator of Sonoma County,
13 California. There, I administered an annual budget in excess of \$1 billion and oversaw a
14 workforce of approximately 4,000 full-time employees and 1,000 part-time employees. Between
15 1996 and 2000, I served as the City Manager of Shoreline, Washington, in the greater Seattle
16 metropolitan area. Before that, I held various staff or senior leadership positions in Washington
17 County, Oregon; Eugene, Oregon; and Sacramento, California.

18 3. In my over 20 years as a public entity executive in Stockton, Sonoma County,
19 Shoreline, and Washington County, and approximately 13 years in other positions, I have gained
20 extensive experience in, among other things, financial turnarounds, designing successful ballot
21 measures, designing compensation and performance management systems, strategic planning,
22 consolidation of services such as public safety dispatch, privatization of services such as
23 information technology, and implementing unique financing alternatives to local government
24 problems that have festered for years. I also have led crisis response efforts in two physical
25 disasters—flooding in Sonoma County in 2006 and winter storms in Shoreline in 1997, both of
26 which were declared disaster areas by FEMA. Our response in Shoreline was commended by the
27 White House and FEMA.

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1 4. I have reviewed the declarations and reports of Bobb and Zielke filed on
2 December 14, 2012. While Bobb and Zielke have commendable professional experience working
3 for government entities, Zielke has little or no executive experience. Nor has she worked in or
4 transformed financially distressed cities. While touting his experience in distressed cities, Bobb
5 did not serve as a city manager during the recent recession, which was the country's worst since
6 the Great Depression in the 1930s. Nor does he appear ever to have served in any city as fiscally
7 distressed as Stockton. And it appears that the one distressed public agency that he did assist (for
8 a short period of time), Detroit Public Schools, was able to remain solvent only because of the
9 issuance of \$200 million in bonds and the infusion of significant federal and state funds.

10 5. What Bobb's and Zielke's reports show me is that neither understands the
11 financial drivers of a city in financial peril, nor in some cases how a city operates. Most
12 importantly, their reports show me that they have not familiarized themselves with how the City
13 of Stockton acted since I became City Manager. Yet their lack of due diligence has not precluded
14 them from rendering opinions about what Stockton did or did not do to ameliorate its financial
15 problems. Due to the radical reductions in services in all City departments and the unique
16 stressors on the Stockton citizenry—extremely high crime, being the foreclosure capital of the
17 country, unemployment that hovered around 20 percent, and relatively low per-capita income—
18 during my tenure as Stockton's City Manager, the prism through which I and City staff develop
19 plans and make decisions and recommendations to the City Council is: how will this decision
20 affect the health and safety of the City's citizens and the viability of the City as a place to live and
21 work?

22 6. Frankly, I believe that past administrations in Stockton failed to stay true to this
23 principle. And neither do Bobb or Zielke in their reports. While Bobb mechanically asserts that
24 the City has not "put all its options" on the table to avoid bankruptcy, neither he nor Zielke appear
25 to have analyzed what the City actually did or what the effect of their proposals would be on the
26 citizens of Stockton or on the responsibilities placed on the City's finance and human resources
27 departments and on my office. If you count the number of times that Bobb has repeated in his
28 declaration, his report, and his deposition the platitude that "the City has not put all its options on

1 the table” without specifics to buttress his assertion, you would think he was running for elected
2 office rather than providing an expert opinion. When the record is examined, the City has on
3 numerous occasions “put everything *feasible* on the table,” while acting so as not to further
4 impair the citizens’ health and safety and the viability of the City both as a corporation and a
5 community. The service and staffing reductions accurately described in the Declaration of Laurie
6 Montes [Dkt. No. 23] (“Montes Decl.”) and the Declaration of Ann Goodrich [Dkt. No. 20]
7 (“Goodrich Decl.”) speak for themselves, as do the police service impacts accurately enumerated
8 in the Declaration of Eric Jones [Dkt. No. 30]. I challenge the declarants to find another city that
9 has acted as aggressively in such a short amount of time with such resource constraints.

10 7. One example of Bobb’s assertions that Stockton did not do enough is where he
11 says: “The overly generous wages and benefits paid by Stockton *are* the most significant financial
12 problems facing the City.” Declaration of Robert C. Bobb (“Bobb Decl.”), Ex. B [Dkt. No. 642],
13 p. 35 (emphasis added). This is categorically false. In fact, this statement was true when I first
14 came to Stockton, but due to our “heavy lifting” and huge compensation reductions, most of our
15 positions are now at or below the average of the labor market. Bobb mentions me personally in
16 his report, *id.* pp. 37-39, contending that my use of compensation surveys has the effect of driving
17 up compensation levels. However, the declarations submitted by Ann Goodrich in this case
18 support the fact that I used compensation surveys to radically and surgically reduce
19 compensation. I use surveys as a guidepost for negotiations, but my ultimate recommendation to
20 the City Council is based on what is in the best interest of the City. I and other City leaders have
21 even put our own wages and benefits on the table, including my recommending the elimination of
22 retiree medical benefits. Bobb’s report fails to cite his own practices when he was the City
23 Manager of Oakland, California, where, as discussed in footnote 5 of the Reply, his
24 administration ratcheted up salaries by using the same type of compensation surveys embedded in
25 labor agreements—the very practice that he argues against in his declaration.

26 8. When it comes to assessing the equitable sharing of pain, Bobb and Zielke ignore
27 the fact that the City took on its biggest retirement liability, retiree medical insurance. Upon my
28 arrival, the retiree medical unfunded liability was \$540 million. Our first attempt at “stopping the

1 bleeding” produced a 30 percent reduction in annual costs and a \$123 million liability reduction.
2 Under chapter 9 protection, the City then reduced the program by two thirds, and is on schedule
3 to eliminate it on July 1, 2013. This wipes out a \$417 million unfunded liability that arguably is
4 as high as \$600 million. Again, I challenge the declarants to find examples of similar “heavy
5 lifting” in the country.

6 9. In their reports, as well as in their depositions, Bobb and Zielke do not dispute the
7 judgment of the City Council, the City staff, and the City’s outside consultants that by February
8 28, 2012, the City was not only on the brink of bankruptcy but was also in danger of not
9 adequately providing for the health and safety needs of Stockton residents. Deposition of Robert
10 C. Bobb (“Bobb Dep.”), pp. 124:25-125:13 (Bobb “relied upon the fact that the City, as of
11 September of 2011, was at the brink of insolvency”). In fact, they were aware of this danger as
12 early as October 2011. Attached hereto as Exhibit A is a true and correct copy of an October
13 2011 proposal to the City for consulting services submitted jointly by Alvarez & Marsal and the
14 Robert Bobb Group. In this proposal, Bobb’s and Zielke’s own firms recognized that in the fall
15 of 2011 the City was “teetering on the brink of bankruptcy.” Ex. A, p. 5.

16 10. It was also my view, shared by the City Council and the City’s outside consultants,
17 that the danger that the City could not adequately provide for the health and safety needs of
18 Stockton residents was particularly true with respect to public safety and the functions that
19 directly support public safety: the City had not replaced police cars and fire trucks or kept up-to-
20 date its technology (the City’s financial system is one year younger than one of its Council
21 members), crime analysis, accounting, human resources, or workers compensation and liability
22 insurance funds (the funds which had accumulated over \$40 million in unfunded liabilities as of
23 May 15, 2012) necessary to support fully its existing unacceptable public safety services.

24 11. In my opinion, having insufficient public safety resources not only threatens the
25 physical well-being of the City’s residents, but it also limits the City’s ability to attract new
26 business investment and employment opportunities. From my experience interacting with
27 potential investors and other business leaders, the crime problem in Stockton has been and still is
28 far and away the most significant concern of businesses considering whether to locate in or near

1 Stockton. My concern is that if the City is unsuccessful in restoring public safety services
2 through the bankruptcy restructuring process, it will follow the path of failed cities like Detroit
3 and Flint, Michigan, and fall into an “irretrievable spiral” of high crime, declining business
4 investment, declining tax revenues, employment loss, blight and population exodus.

5 12. That said, a city’s viability is not determined by public safety services alone.
6 Citizens and businesses don’t move to or stay in a city solely for public safety services. Parks,
7 libraries, recreation and/or entertainment opportunities, schools, employment opportunities,
8 reputation, sense of safety, predictability and lifestyle are all part of a city’s viability. Bobb and
9 Zielke either do not understand or do not care that these other variables are even more important
10 to Stockton than other cities considering its residents’ high illiteracy rates, high poverty rates, and
11 low income levels—as discussed in the declaration of Laurie Montes. In this kind of
12 environment, access to public services—which Stockton has cut drastically—is more important
13 because the City’s residents have fewer private alternatives available to them than do residents of
14 wealthier communities.

15 13. As Bobb and Zielke testified during their depositions, contrary to what they
16 suggested in their declarations and reports, some of these non-public safety services also are
17 important crime prevention mechanisms, particularly among the City’s youth. I agree with
18 Bobb’s statement in his deposition that that there is “a direct correlation” between recreation
19 services and crime, that after-school programs are “a contributor for crime reduction,” and that
20 recreational programs and library services “are important to having a viable city and a viable
21 community.” Bobb Dep., pp. 140:2-21, 141:4-11. In my opinion, and by most professional
22 standards, Stockton is not a sustainable or viable city now, and likely will not become one
23 without major service restorations and financial stabilization investments that support these
24 services, such as technology, facilities, fleet replacement, and workers compensation and liability
25 insurance.

26 *Feasibility of Alternative Budget Model*

27 14. Rather than contend that Stockton cannot reduce services further, most of Bobb’s
28 report is a variation on one theme: had at some point Stockton acted faster or smarter than it did,

1 it could have avoided insolvency. In a constraint-free, resource-rich environment, Stockton
2 undoubtedly would have addressed all of its problems sooner, or never had them in the first place.
3 Based on my experience, though, what deprives Bobb’s and Zielke’s reports of any persuasive
4 value is their failure to:

- 5 - acknowledge the City’s past efforts in responding to a more severe economic crisis
6 than either of them has ever faced;
- 7 - account for any constraints on the feasibility of implementing their laundry lists of
8 proposals; and
- 9 - recognize that the City has limited resources and that it must prioritize the allocation
10 of those limited resources in a way consistent with the underlying principle that I
11 described above: how will this decision affect the health and safety of Stockton’s
12 citizens and the viability of the City as a place to live and work?

13 As seen by her deposition testimony and on the face of her report, Zielke did not do *any*
14 analysis to determine whether *any* of the proposals in her Alternative Model were feasible—
15 financially, legally, or temporally. Instead, she compiled a list of recommendations cribbed from
16 the Government Finance Officers Association (“GFOA”) website. Declaration of Nancy L.
17 Zielke (“Zielke Decl.”), Ex. B [Dkt. No. 640], pp. 40-42.

18 15. Zielke’s suggestions don’t work in the real world. Zielke recommends across-the-
19 board cuts in non-safety departments, which will undermine public confidence. If implemented,
20 the City would be unable to meet its financial reporting and management responsibilities; the
21 City would be unable to satisfy the provisions of its City Charter or of federal law with respect to
22 human resources; I would be unable to satisfy my duties as outlined in the City Charter; the City
23 would not be fiscally sound in its worker’s compensation or liability insurance funds; and the City
24 would continue the “pay-as-you-go” retiree health scheme at 75 percent, which still would qualify
25 as something like a Ponzi scheme. In fact, many of these items violate GFOA recommendations.

26 16. The challenge to a city manager during a crisis is that he or she takes the
27 organization as it is, good or bad, with resources or without, with competent people or without,
28 with systems in place or without, with demands from the citizenry and with demands from the

1 City Council. The city manager takes all these competing demands and constraints and prioritizes
2 goals in the immediate, mid and long term. In the perfect resource-rich local government, one
3 could implement all the best management practices. However, when responding to emergencies,
4 one often has to make less than optimal decisions that take into account the competing priorities
5 of the day, week, month or year. This is why local governments during disasters sometimes grant
6 themselves special authority that temporarily changes their operating rules, policies and practices,
7 because ameliorating the damage or immediate danger sometimes takes precedence over a best
8 practice that requires more time or resources to implement.

9 17. To take another example of how this fundamental weakness of their assertions
10 manifests itself, Bobb criticizes my administration as being slow to fix the City's financial
11 reporting system. Bobb Decl., Ex. B, p. 25. But in a crisis, a City must prioritize its limited
12 resources around some key immediate goals while concurrently planning its recovery. This is
13 why Bobb, when pressed, could not explain where the money or staff capacity would have come
14 from to "at a minimum establish[] a task force or hire[] outside consultants," let alone upgrade the
15 City's financial reporting system (which would require millions of dollars) or hire new staff
16 (which he proposes at the same time to cut by an additional 15%!). Nor does Bobb acknowledge
17 that shortly after I was hired as City Manager, the Chief Financial Officer, Human Resources
18 Director, and Budget Manager resigned and left the City. Throughout his entire report, Bobb
19 simply does not account for any sort of constraints or resource limitations; nor does he ask what
20 exactly the City did.

21 18. Similarly, Zielke and Bobb both criticize the City, in a vacuum, for not engaging
22 in what they call "zero-based budgeting." Zielke Decl., Ex. B, p. 39; Bobb Decl., Ex. B, p. 29.
23 Meanwhile, Zielke's own GFOA primer, publicly available at
24 <http://www.gfoa.org/downloads/GFOAZeroBasedBudgeting.pdf>, acknowledges that zero-based
25 budgeting is "almost unheard of in present day financial management" in part because of "the
26 cost required to put ZBB into practice." The Zielke and Bobb reports do not account for the time
27 and expense it would have taken to conduct zero-based budgeting, expense and time the City
28 simply either did not have or that it determined would be better allocated to different services.

1 19. The new revenues assumed by Zielke’s Alternative Model are another example of
2 how it defies reality. Zielke Decl., Ex. B, Table 1 (p. 47), pp. 47-56. Based on my experience
3 approaching voters over the last three decades, for a tax increase measure to be successful it is
4 essential that a city have a compelling argument or a specific “product” that will be funded by the
5 tax increase which resonates with the voters. Notwithstanding Stockton’s limited capacity to
6 support more taxes—e.g., low per-capita income and unemployment rates that hover around 20
7 percent¹—approaching the voters with multiple tax increase measures in the same election sows
8 confusion or voter resentment at the myriad of options and the total size of the tax increase, and
9 will likely kill any chance of obtaining voter approval of any of the measures. In fact, Bobb
10 experienced just this scenario while he served as city manager of Oakland, where the city
11 submitted an array of taxes aimed at supporting much-needed and well-documented public safety
12 services, but the citizens rejected them all. A city also must have credibility with voters such that
13 they will trust the government to spend their tax revenue wisely. The state of the economy also
14 tends to affect whether voters will approve tax increases that will affect their pocketbooks.

15 20. None of these conditions was in place in advance of the deadline for placing tax
16 measures on the November 2012 ballot—the target election date that the Alternative Model
17 proposed that the City place on the ballot at least four separate tax increase measures. Facing
18 multiple tax increase measures was likely to sour voters on approving any of them. The local
19 economy was still in poor condition, as Zielke acknowledges. Zielke Decl., Ex. B, p. 35 (“[t]he
20 City’s economy is underperforming in comparison to the United States as a whole”).

21 21. Despite the City’s recent efforts, its missteps over the last 10-15 years had been
22 well-publicized, including paying exorbitant retiree medical benefits, creating an unsustainable
23 debt load, and approving lucrative, above-market labor contracts. Asking voters to trust the City
24 with their money under these conditions was a costly endeavor that I, our consultant Management
25 Partners, and the City Council felt was virtually certain to fail.

26
27 ¹ Montes Decl., ¶14 & Ex. D. Bobb and Zielke continuously show that they do not understand Stockton and used
28 incorrect data to describe Stockton’s economy. For example, they refer to Stockton unemployment being 13.6
percent, Zielke Decl., Ex. B, p. 37; however, they incorrectly used a county-wide figure that includes surrounding
cities, some of which have unemployment that is almost half of the City’s.

1 22. It is not surprising, then, that the City's own polling results, a true and correct copy
2 of which is attached hereto as Exhibit B, suggested that a sales tax measure like that proposed in
3 the Alternative Model would garner support from only **21%** of likely voters. Ex. B, p. 15. No
4 one disputes that new revenue must be part of any solution to the City's fiscal problems. But as
5 City staff proposed in its February 28, 2012 report to the City Council, in my opinion it was better
6 to wait to place a measure on the ballot until *after* the City had a better product to sell to the
7 voters. The City Council agreed.

8 23. Even though he claims to have read them, Bobb appears to be ignorant of the
9 contents of a list of publicly-available staff reports in which the City described the challenges it
10 was facing, financial forecasts, potential solutions, the risks and constraints involved, and the
11 rationale underlying the City's ultimate policy choice. *See* Montes Decl., Exs. J-Q. These
12 analyses were done despite having a decrepit accounting system and changes in senior leadership.
13 This list contradicts Bobb's assertion that the City failed to take appropriate steps to address its
14 crisis.

15 24. I realized by late 2010 that some of the primary causes of the City's fiscal distress
16 were excessive compensation for employees, contractually-fixed fire staffing levels, and retiree
17 medical insurance. I formed a contract labor team that I could trust, and immediately began
18 analyzing labor contracts and surveying other comparable cities to provide the proper context for
19 viewing our employee compensation. It was soon clear that we needed to overhaul employee
20 labor contracts and radically reduce fire staffing in part by removing binding labor arbitration
21 from the City Charter, which we accomplished by placing a successful measure on the November
22 2010 ballot, just four months after my arrival.

23 25. At the same time, my team devised a complicated initiative to close an impending
24 \$37 million General Fund deficit for the upcoming budget beginning in July 2011, which we
25 eventually achieved by reducing employee compensation by \$25 million (including a 30%
26 reduction in employee and retiree medical costs) and staffing levels by another \$12 million. This
27 required simultaneous negotiations with nine employee groups, many of which had closed
28 contracts and were under no obligation to negotiate with the City.

1 26. Zielke and Bobb assert that the City could have modified the other primary cause
2 of the City's deficits, additional retiree medical insurance, outside of chapter 9. Zielke Decl., Ex.
3 B, p. 64; Bobb Decl., Ex. B, p. 52. But they completely fail to account for the legal risks of doing
4 so—and appear not to understand California law on retiree medical benefits or the history of the
5 retiree medical benefit in Stockton. Nor do they appear to understand how retiree medical costs
6 are to be properly funded. Bobb Dep., p. 195:12-15 (Bobb “not an expert” in how Stockton's
7 retiree medical program works). This later admission is shocking given their advertised
8 experience and the magnitude of the retiree medical liability for Stockton and many other cities.
9 In contrast, I was keenly aware of these risks, and I understand the financing of retiree medical
10 programs. When I was County Administrator of Sonoma County, my staff unilaterally impaired
11 retiree medical benefits. We were promptly sued by an association of Sonoma County retirees
12 who claimed that the impairment violated multiple provisions of California and federal law. *See*
13 *Sonoma Cnty. Ass'n of Retired Emps. v. Sonoma Cnty.*, No. 09-4432 (N.D. Cal. Sept. 22, 2009).
14 It is my understanding that their case is pending before the Ninth Circuit. *See Sonoma Cnty.*
15 *Ass'n of Retired Emps. v. Sonoma Cnty.*, No. 10-17873 (9th Cir. Dec. 22, 2010). Given the
16 unsettled legal issues and potential liability associated with unilateral impairment of retiree
17 medical benefits, my staff and I realized that this option represented a risk that the City could not
18 afford to take.

19 27. Our efforts did not stop with the adoption of the fiscal year 2011-12 Budget.
20 Instead, as documents attached to the declaration of Laurie Montes demonstrate, the City Council
21 and staff communicated constantly about potential options to avert insolvency throughout the fall
22 of 2011 and into early 2012, when the Management Partners report confirmed that the City had
23 no choice but to enter the AB 506 process. Montes Decl., Ex. P [Dkt. No. 25], p. 44. Even then,
24 the “Ask” the City prepared within the AB 506 process contained detailed forecasts and discussed
25 numerous alternatives under which the City might avoid insolvency as best as it could. Bobb
26 simply ignores this mountain of work product.

27 28. Meanwhile, on January 28, 2011, the City Council and I developed four key goals
28 that would guide Stockton's recovery. On May 17, 2011, the City Council adopted 38 Strategic

1 Initiatives that I proposed to achieve these goals. These four key goals and 38 Strategic
2 Initiatives are publicly available at
3 http://stockton.granicus.com/MetaViewer.php?view_id=48&clip_id=3612&meta_id=309908. At
4 this time, it was clear that the City had to get its fiscal house in order in the short term, while
5 focusing on key initiatives that would gradually change Stockton by taking on multi-generational
6 problems such as the high crime rate. This robust plan directly contradicts Bobb's assertion that
7 the City had "no plan or strategy for solving its operational and financial predicament." Bobb
8 Decl., Ex. B, p. 10. It appears that Bobb was unaware of this plan or its comprehensiveness, even
9 though it still guides the City's efforts and provides a roadmap to recovery.

10 City's Financial Condition

11 29. Bobb and Zielke also attempt to rely on what were past bad practices to convince
12 the Court that the City's *current* financial information is unreliable. It is noteworthy that the
13 exhibit upon which they most rely is not evidence from calendar year 2012, but rather a
14 September 2011 memorandum that I requested that its author write to describe practices in place
15 even earlier. The truth is that the City's ability to produce reliable financial information has
16 steadily been improving over time, and with new talent and much work the City's figures since
17 2011 have proven to be reliable. The independent audit of the City's June 30, 2011
18 Comprehensive Annual Financial Report ("CAFR") reflects an unqualified "clean" opinion for
19 the City's figures. Zielke and Bobb ignore this fact, and instead rely on assertions from outside
20 political interests that incorrectly describe Stockton's situation.

21 30. Contrary to Bobb's and Zielke's claims, since arriving in Stockton, I have been
22 transparent about errors in Stockton's past financial management and accounting practices. As
23 my team discovered these issues, instead of sweeping them under the rug, as Bobb and Zielke
24 would have the Court believe, my staff and I publicly identified them in numerous staff reports to
25 the City Council and prepared strategies for remedying them. It was staff that I recruited—in
26 particular, former Chief Financial Officer Susan Mayer ("Mayer")—who identified the numerous
27 issues referenced in the Bobb and Zielke reports and in the City's fiscal year 2010-11 CAFR. I
28 also commissioned the September 12, 2011 memorandum from Mayer from which the Bobb and

1 Zielke reports both quote. I specifically asked Mayer to be brutally honest with her findings and
2 recommendations so that I could justify the resources she needed to affect a turnaround of the
3 Finance Department. The results were neither a surprise nor unwelcome, but rather represented a
4 thorough catalogue of the problems that Mayer had uncovered since the City hired her in early
5 2011. Instead of proving that the City's current financial policies are an "ongoing disaster," Bobb
6 Decl., Ex. B, p. 25, Mayer's memorandum was another step toward remedying past practices and
7 turning the City's systems in the right direction.

8 31. In addition to having City staff analyze the City's past practices and the integrity
9 of its finances, as a cautionary measure the City also retained Management Partners in late 2011
10 to perform a "second opinion" of the City's finances. The Management Partners report was a
11 public document that the City attached as Exhibit P to the Declaration of Laurie Montes.
12 Management Partners confirmed that the City's financial condition was dire, even going so far as
13 to suggest that it was *worse* than the City believed at the time. At his deposition Bobb
14 characterized that report as "an excellent comprehensive analysis of where the City stood." Bobb
15 Dep., pp. 100:25-101:2.

16 32. Compounding the difficulty of these efforts was the City's fragile and antiquated
17 infrastructure, particularly in the finance department. Numerous factors contributed to the
18 problem, including a historical lack of investment in technology in various departments, which in
19 the finance department meant that staff was relying on a 20-year-old financial system. Another
20 factor was the City's decision right before I arrived to grant "golden handshakes" to experienced
21 employees, a decision which in conjunction with other layoffs may have yielded some monetary
22 savings but which also resulted in a "brain drain" so severe that departments were sometimes left
23 without any transition plan from the more experienced employees to the less experienced ones.

24 33. As a result, my administration's approach has been to use triage to complete the
25 higher priority tasks first. With respect to the timing of the 2010-11 CAFR during calendar year
26 2012, which Bobb suggests is a sign of poor City practices, Bobb Decl., Ex. B, p. 23, I personally
27 triaged the finance department's effort so that its highest priority was producing accurate fund
28 balances and revenue projections to ensure near-term cash solvency. Our second priority was to

1 produce clean projections for the next ten years to support the AB 506 process and our financial
2 restructuring. Our third priority was to attempt to adopt a balanced budget for fiscal year 2012-13
3 by June 30, 2012. Our fourth priority, intertwined with the third priority, was to support
4 adequately a chapter 9 filing and the subsequent need to respond to discovery requests. Behind
5 all these, by necessity, was audit support and preparation of the CAFR. At the same time, the
6 City had audit staff from outside entities, like the State Controller's Office, requesting assistance.

7 34. As the accompanying reply declaration of Vanessa Burke explains, while work
8 remains, the City has now fixed many of the prior financial control and reporting problems
9 identified in the Bobb and Zielke reports. However, the City is not stopping with the continuous
10 improvement effort. I have requested funding for and implementing a comprehensive internal
11 control audit by an outside firm to review the City's practices.

12 *"Nice to Haves" Versus "Must Haves"*

13 35. The numerous allegations by Bobb and Zielke that the City did not do enough
14 "heavy lifting" and did not rigorously distinguish the "must haves" or "mandated" costs from the
15 "nice to haves" or "discretionary" costs—targeting the "nice to haves" for reduction or
16 elimination—are addressed in detail in the Reply. I will add two observations that serve as
17 examples of the absurdity of their allegations.

18 36. First, Bobb and Zielke advocate that the City reduce by 15 percent all non-safety
19 budgets, which departments already have lost 43 percent of their staff. I believe that another 15
20 percent cut would prevent us from meeting fiduciary functions in Finance, Human Resources the
21 City Attorney's, the City Clerk's and the City Manager's Offices.

22 37. Second, Bobb and Zielke advocate cutting more from library services. Yet further
23 cuts in the library may cause a breach of contract with San Joaquin County, given that the City
24 operates the countywide system in addition to its own.

25 *CalPERS*

26 38. Bobb and Zielke argue that the City should impair its employees' pensions,
27 alleging that pension reductions would have no effect on the City's ability to attract and retain
28 qualified employees. In an apparent attempt to show his prowess for "heavy lifting," Bobb

1 suggests in his report that he even “Enact[ed] Broad Pension Reform Measures” in Oakland.
2 Bobb Decl., Ex. B, p. 17. However, as discussed in footnote 5 of the Reply, the record suggests
3 that under Bobb’s administration, Oakland increased public safety pensions by 50 percent, did not
4 achieve any police employee contributions, achieved only modest contributions from other
5 employees, and then eliminated the impact of those modest contributions by increasing wages. I
6 hear my father’s admonition to “do as I say, not as I do.” The declaration being submitted
7 concurrently by Ann Goodrich establishes that Stockton imposed the full employee contribution
8 (7-9 percent), eliminated contracted raises, decreased other pays, created lower pension tiers, and
9 required employees to contribute to medical costs for the first time. *See* Reply Declaration of
10 Ann Goodrich. If Bobb and Zielke were at all familiar with the history of painful concessions the
11 City has imposed on its employees, *see* Goodrich Decl., ¶¶ 5 *et seq.*, they would recognize the
12 absurdity of their argument.

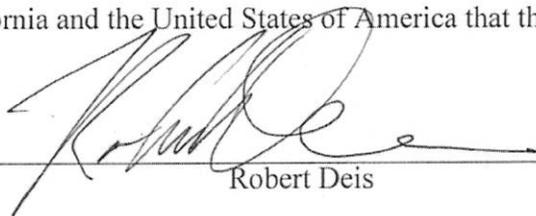
13 39. The City’s cuts to its employees have strained its relationship with its employees
14 and have caused huge heartache to employee’s and retiree families. Pay has been cut by as much
15 as 23 percent, along with increased employee medical contributions, and the City has wiped out
16 any future chance of getting retiree medical insurance. And all this has happened at a time when
17 the City’s employees—public safety employees in particular—are working harder than ever. The
18 preponderance of police calls are prioritized on crimes in progress. The City has some of the
19 busiest fire stations in the country. Because of the City’s extremely low police staffing levels, a
20 vacancy in Stockton has more of an impact than in other cities. I firmly believe that impairing the
21 CalPERS pension—a benefit that is offered by all our neighboring cities and is a benchmark in
22 the state — will be the proverbial “straw that breaks the camel’s back”.

23 40. The declarants have not offered any “social science research,” or any research at
24 all, that is analogous to the Stockton situation where the employees have experienced a long list
25 of concessions or indignities. We do not have 6 months and \$500,000 to validate what we all
26 know: impairing CalPERS will greatly damage our ability to staff a very busy public safety
27 function, with potential catastrophic consequences. Thus, it comes back to my stated priority as
28

1 City Manager: protecting the health and safety of the City's citizens and the viability of the City
2 as a place to live and work.

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Executed this 14th day of February 2013, at Stockton, California. I declare under penalty
of perjury under the laws of the State of California and the United States of America that the
foregoing is true and correct.



Robert Deis

Exhibit A

From: Roberti, Bill [BRoberti@alvarezandmarsal.com]
Sent: Thursday, October 20, 2011 4:19 PM
To: Laurie Montes; Susan Mayer
Cc: Nancy Zielke; bob@robertbobb.org
Subject: Final Proposal with new scope
Attachments: A_M Proposal Stockton CA Re-Revised Final 102011.pdf

Laurie & Susan:

As discussed last evening here is final proposal

Bill

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Alvarez & Marsal Public Sector Services

City of Stockton, CA Restructuring and Fiscal Advisory Services

Submitted To:

Bob Deis
City Manager, City of Stockton
425 N. El Dorado St
Stockton, CA 95202

Submitted By:

Alvarez & Marsal Public Sector Services, LLC
Columbia Square
555 Thirteenth St NW | 5th Floor West
Washington, DC 20004

Robert Bobb Group LLC
Columbia Square
555 Thirteenth St NW, Suite 500-A West
Washington, DC 20004

Restructuring and Fiscal Advisory Services

Date of Submission

October 20, 2011

Prepared for

Bob Deis
City Manager, City of Stockton
425 N. El Dorado St
Stockton, CA 95202

Submitted by

Alvarez & Marsal Public Sector Services, LLC
Columbia Square
555 Thirteenth St NW | 5th Floor West
Washington, DC 20004

Contact: Bill Roberti, Managing Director
Tel: (203) 400-1623
Email: broberti@alvarezandmarsal.com

Robert Bobb Group, LLC
Columbia Square
555 Thirteenth St NW, Suite 500-A West
Washington, DC 20004

Contact: Robert Bobb, Managing Director
Tel: (202) 731-0006
Email: bob@robertbobb.org

This proposal includes data that shall not be disclosed outside the Government and shall not be duplicated, used, or disclosed—in whole or in part—for any purpose other than to evaluate this proposal. If, however, a contract is awarded to this offeror as a result of—or in connection with—the submission of this data, the Government shall have the right to duplicate, use, or disclose the data to the extent provided in the resulting contract. This restriction does not limit the Government's right to use information contained in this data if it is obtained from another source without restriction. The data subject to this restriction are contained in all pages/sheets herein.



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October 20, 2011

Mr. Bob Deis
City Manager, City of Stockton
425 N. El Dorado St
Stockton, CA 95202

Dear Mr. Deis,

As a follow up to our meeting with Laurie Montes, Ken Dieker and Susan Mayer on Thursday, September 29, 2011, A&M Public Sector Services, LLC (A&M) is pleased to present you with our revised proposal for restructuring and fiscal advisory services. Teamed with the Robert Bobb Group, LLC, our proposal addresses the technical scope and professional capabilities required to deliver restructuring and fiscal advisory services. Our firm and the individual professionals we propose for this assignment have extensive experience working together, and we are proposing our firm's services at our General Services Administration Financial and Business Solutions Schedule rates, a significant discount over our commercial rates. In addition, we value the tremendous efforts made by the City of Stockton to date.

The A&M advantage brings Stockton:

- ▲ **Practical, Rational, and fact-checked data-driven advice.** Restructuring and fiscal advisory services should be achieved not through "advice and consultation" but rather through committed, thorough, practical leadership. A&M takes an investigative approach to validating all relevant facts prior to diving into the project. An advisor should have extensive experience in managing change and provide only practical, rational, and data-driven implementable recommendations.
- ▲ **A willingness to take responsibility and a public stand for our recommendations.** Many consulting firms require that their recommendations be kept confidential and disclaim responsibility for executing their recommendations. We routinely make our findings public, and testify before State legislatures, Legislative and State Auditors and other public bodies, even though our recommendations are not always popular. Indeed, the Louisiana State Legislature passed a resolution calling for the implementation of our recommendations. In addition, we do not just tell government bodies what to do, but are willing to be held responsible to actually implement our recommendations.
- ▲ **Financially driven operational improvement approach.** In order to attain sustainable change, an advisor must demonstrate experience implementing operational change that delivers measurable results. The applied transformation methodology is predicated on the assumption that there will be no new funds available and that any changes made to the organization for the betterment of those it serves must be made using existing funds. Cost savings is often the driver, but it is never the goal. The goal is the alignment of operations with financials. Performance outcomes are critical, not just budget cuts.



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- ▲ **Accountability for results.** A&M advisors will be expected to not only recommend implementable solutions but also deliver results. All A&M advisors will be accountable for the outcomes. All advisors serving interim leadership roles in public sector agencies are able to undertake massive scale change around very tight time frames and extremely limited funding availability. A&M is willing and able to assume high levels of accountability for our client's mission. After a transformation initiative is complete, A&M facilitates a smooth transition to a permanent government team.
- ▲ **Ability to manage complexity with flexibility.** A&M advisors have the necessary experience in effectively managing the most demanding environments and situations. Our advisors have mastered the ability to listen and engage with public sector leadership teams, career staff, union leadership and local politicians no matter how difficult the situation. They represent a firm that has a reputation for revitalizing major organizations, with the political astuteness that reflects this experience.

Thank you for this opportunity to serve. We are committed to providing the City of Stockton with our expertise and proven track record for turnaround management and restructuring in the public sector. We are confident we can provide the City with a comprehensive and experienced team designed to meet its needs.

Respectfully submitted,

A handwritten signature in black ink that reads "Bill Roberti".

Bill Roberti
Managing Director
Alvarez & Marsal Public Sector Services, LLC
broberti@alvarezandmarsal.com
Tel: (203) 400-1623

A handwritten signature in black ink that reads "Robert C. Bobb".

Robert Bobb
Managing Director
Robert Bobb Group, LLC
bob@robertbobb.org
Tel: (202) 731-0006



City of Stockton, California
Restructuring and Fiscal Advisory Services

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City of Stockton, California
Restructuring and Fiscal Advisory Services

EXECUTIVE SUMMARY

Alvarez & Marsal Public Sector Services, LLC (A&M) is pleased to present our qualifications to serve the City of Stockton, CA (Stockton or the City). Teamed with the Robert Bobb Group, collectively referred to as the A&M Team, our proposal addresses the technical scope and professional capabilities required to deliver Restructuring and Fiscal Advisory Services. A&M understands Stockton's operational, financial and stakeholder challenges and the drive to maintain the City's fiscal health by proactively identifying cost saving initiatives. Stockton has demonstrated leadership through tightening spending and focusing scarce resources on those programs that are most critical to the needs of its residents. Having already reduced the General Fund workforce by 30 percent, additional service level cuts must be judicious to maintain community safety as Stockton has the highest crime rate in the State. A&M commends the City on having already made some very difficult decisions to improve its fiscal health and financial position. The A&M Team is prepared to leverage existing efforts made by the City, while providing an independent assessment to identify additional cost saving initiatives. Furthermore, we can assist the City as it creates a justification (i.e., "the ask") for how to restructure its debt.

To successfully execute Stockton's vision and accomplish its goals, the advisor needs to have both extensive operational and financial restructuring experience. Stockton needs a team who has a history of working together with the capabilities of applying commercial restructuring best practices to the public sector. A&M offers the City a unified team providing operational and financial restructuring services with a track record of delivery for both public sector and private organizations.

Critical to the City's requirements, our team is distinguished by the following:

- ▲ By bringing a comprehensive team of both operational and financial restructuring experts, the City will demonstrate to the community, the creditors and other stakeholders that the City is committed to restoring financial stability. The combined team will accelerate achieving success for the City of Stockton.
- ▲ Our professionals possess the full range of public sector consulting experience relevant to the challenges experienced by the City including cost cutting, capital markets, and healthcare experts. They are committed to serving as advisors to the City on an as-needed basis, applying their specialized knowledge and experience to benefit the City.
- ▲ Our project leader and advisors have engaged in numerous, complex negotiations and settlements on behalf of clients.

As the first traditional restructuring firm to focus on public sector organizations, A&M blends experience addressing the most complex financial management issues for commercial organizations such *Lehman Brothers* and *Washington Mutual* with an understanding of the fiscal management requirements of municipal, state and education clients. We are currently providing financial analytical support, including analysis of monetization alternatives, financial modeling and market comparables, to Cravath, Swaine & Moore, LLP (Cravath) in its capacity as legal advisor to the *City Council of Harrisburg* for its restructuring decision process. A&M has amassed unparalleled experience restructuring public school districts including the *New Orleans Public Schools*, *St. Louis Public Schools*, *Detroit Public Schools*, *Los Angeles*

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City of Stockton, California
Restructuring and Fiscal Advisory Services

Schools and *New York City Department of Education* among many others. We also have extensive healthcare experience in both the public and private sector. A&M is distinguished by its restructuring of the *Interim LSU Public Hospital* in New Orleans, which has been widely acknowledged by the Governor and Treasurer of the State of Louisiana. Further, we are currently working with the *South Carolina* and *Commonwealth of Pennsylvania* Medicaid programs to contain costs and improve financial controls, and are working with a third state who is interested in consolidating its Medicaid program with other state-operated health plans and one working to create a new operational model for services.

As a corporate restructuring firm, we differentiate ourselves from advisory firms with our emphasis on implementation and execution. We do not just write reports, but instead pride ourselves on our operational model of working side-by-side with our clients to drive measurable and sustainable results.

The A&M advantage brings Stockton:

- ▲ **Practical, Rational, and fact-checked data-driven Advice.** Fiscal and Financial Advisory Services should be achieved not through “advice and consultation” but rather through committed, thorough, practical leadership. A&M takes an investigative approach to validating all relevant facts prior to diving into the project. An advisor should have extensive experience in managing change and provide only practical, rational, and data-driven implementable recommendations.
- ▲ **A willingness to take responsibility and a public stand for our recommendations.** Many consulting firms require that their recommendations be kept confidential and disclaim responsibility for executing their recommendations. We routinely make our findings public, and testify before State legislatures, Legislative and State Auditors and other public bodies, even though our recommendations are not always popular. Indeed, the Louisiana State Legislature passed a resolution calling for the implementation of our recommendation. In addition, we do not just tell government bodies what to do, but are willing to be held responsible to actually implement our recommendations.
- ▲ **Financially driven operational improvement approach.** In order to attain sustainable change, an advisor must demonstrate experience implementing operational change that delivers measurable results. The applied transformation methodology is predicated on the assumption that there will be no new funds available and that any changes made to the organization for the betterment of those it serves must be made using existing funds. Cost savings is often the driver, but it is never the goal. The goal is the alignment of operations with financials. Performance outcomes are critical, not just budget cuts.
- ▲ **Accountability for results.** A&M advisors will be expected to not only recommend implementable solutions but also deliver results. All A&M advisors will be accountable for the outcomes. All advisors serving interim leadership roles in public sector agencies are able to undertake massive scale change around very tight time frames and extremely limited funding availability. A&M is

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City of Stockton, California Restructuring and Fiscal Advisory Services

willing and able to assume high levels of accountability for our client's mission. After a transformation initiative is complete, A&M facilitates a smooth transition to a permanent government team.

- ▲ **Ability to manage complexity with flexibility.** A&M advisors have the necessary experience in effectively managing the most demanding environments and situations. Our advisors have mastered the ability to listen and engage with public sector leadership teams, career staff, union leadership and local politicians no matter how difficult the situation. They represent a firm that has a reputation for revitalizing major organizations, with the political astuteness that reflects this experience.

To best serve the needs of Stockton, we have hand-selected a team that includes both private sector professionals along with proven professionals who have delivered results in the public sector. Our key, experienced leadership includes:

- ▲ **Nancy Zielke, Project Director.** With more than 25 years of public sector financial experience, Ms. Zielke brings deep expertise in governmental budgeting and performance management systems; utility enterprise revenue forecasting and cost of service rate studies; tax exempt capital financings; economic and community development planning; labor negotiations, privatization and outsourcing opportunities; enterprise resource planning implementation projects; and strategic planning within complex government organizations. Prior to joining A&M, Ms. Zielke worked in state and local government, public utilities and higher education, where she served in senior financial administrative positions, including the Chief Financial Officer of Kansas City, Kansas. She has been a member of Government Finance Officers Association (GFOA), where she served on the Executive Board and was 2004-2005 President of the Board.
- ▲ **Bill Roberti, Senior Advisor.** As the Head of A&M's Public Sector practice, Mr. Bill Roberti has more than 25 years of senior executive experience, including extensive experience in the area of leading school turnarounds for large, troubled K-12 urban school districts. Recently, Mr. Roberti provided financial advisory support to Cravath on behalf of the City Council of Harrisburg, Pennsylvania on its Act 47 filing. He previously served as the Chief Restructuring Officer of the Orleans Parish School Board in New Orleans, Louisiana.
- ▲ **Robert Bobb, Senior Advisor.** Mr. Robert C. Bobb brings more than 30 years of executive management experience in both the private and public sectors. Mr. Bobb holds the distinction of having served on a continuous basis as the longest tenured African-American City Manager/City Administrator in the nation. He served in this position in the cities of Oakland, Santa Ana, District of Columbia, Richmond (Virginia) and Kalamazoo (Michigan). He is an expert on the issues facing urban government in the realms of education, economic development, community and neighborhood development, municipal budgeting and finances, contract negotiations,

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public/private partnerships of sports franchises, libraries and recreation facilities, and social problems such as crime and grime.

- ▲ **Leon Glaster, Financial Advisory Team.** An acclaimed financial consultant in California, Mr. Glaster has worked with federal, state and local government organizations for over 30 years as a Chief Financial Officer, Chief Operations Officer and a Chief Internal Auditor. His primary area of expertise is restructuring organizations that have severe financial and system deficits. Mr. Glaster is highly skilled in asking the right questions that get at the root causes and implementing the appropriate corrective action. Mr. Glaster served as the Chief Financial Officer for Oakland Unified School District in Oakland, California. In addition, he served as a school district Chief Financial Officer in San Jose, San Leandro and East Palo Alto, California. Mr. Glaster is a lifetime member of the Northern California School Business Executives (“NCSBE”), and has been on the Executive Boards for the Alameda County School Insurance Group and the Santa Clara County School Insurance Group.

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City of Stockton, California Restructuring and Fiscal Advisory Services

INTRODUCTION

As the City of Stockton faces a growing deficit and worsening relations with its labor unions, teetering on the brink of bankruptcy, it requires the advice of a financial advisor skilled in developing and implementing comprehensive plans to address the budget deficit and the City's debt, including an in-depth evaluation of its bonds and capital expenditures. To successfully evaluate its options and determine whether or not to file for bankruptcy, the City would benefit by working directly with an experienced team skilled in financial and operational restructuring, one who is familiar with government affairs. By engaging a comprehensive team, the City demonstrates to the residents of Stockton its commitment to bringing its fiscal house in order and selecting the option that best serves the community without deteriorating the general safety of its residents. A&M offers the City of Stockton a unified team of professionals with extensive experience providing operational and fiscal restructuring services for both public sector and private organizations, lending significant credibility to its stakeholders and creditors.

A&M Understands the Stockton's Challenges

A&M specializes in providing restructuring and turnaround management services to public and private sector organization, as recognized for five consecutive years by The Turnaround Management Association (TMA) for its Turnaround of the Year Award. While each restructuring situation poses its own unique circumstances, our combined team has experienced the breadth of situations across organizations of varying size and complexity. Our depth of experience provides the City of Stockton with the full range of skills necessary to resolve any situation that may arise. Drawing on this experience, our skilled professionals are dedicated to serving the City of Stockton, as we have successfully served other distressed organizations including the largest bankruptcy in U.S. history, Lehman Brothers, concurrently with the second largest bankruptcy, Washington Mutual, while providing financial advisory services to Cravath in its capacity as legal advisor to the City Council of Harrisburg supporting its restructuring decision process. We are currently serving the healthcare systems in North Carolina, South Carolina and Pennsylvania to contain costs and improve financial controls. We have amassed unparalleled experience implementing large-scale educational reform in public school systems across the country, including New York City Department of Education, Detroit Public Schools, New Orleans Public Schools and St. Louis Public Schools.

- ▲ **Assess Accounting and Financial Reporting Issues:** Develop a course of action to analyze and resolve discrepancies on the City's Balance Sheet and accounting books, validating known material weaknesses and determining if additional discrepancies exist. The City's credibility revolves around its ability to maintain accurate books of account and financial records. This is the foundation for which restructuring can begin to take hold, and is essential to gain the consensus and buy-in of its stakeholders.
- ▲ **Assess Structural Financial Issues:** Evaluate annual operational practices and costs that contribute to a prospective long-term operational deficit. While the debt obligations and devalued bonds of the City are the primary financial drivers, our review of the City's finances may

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City of Stockton, California Restructuring and Fiscal Advisory Services

yield other financial and operational constraints that will worsen if not addressed as part of the overall emergency plan.

- ▲ **Develop a Near-Term Plan:** Establish a strategy to evaluate the budget deficit, identifying opportunities to reduce and eliminate debt and improve revenue streams. While the City has begun taking measures to address skyrocketing employee costs and negotiate changes to employee benefits, ensuring that a solid plan has been developed is necessary to streamline the process for restructuring fiscal policy and recovering financial strength.
- ▲ **Validate Salaries and Healthcare Savings:** Analyze salaries and healthcare benefits for current employees and retirees, determining the feasibility of paying for vested pension benefits and reducing benefit options. With a large portion of expenditures tied up in Salaries and Pension benefits and an expected growth of 14 percent by 2014, the City would benefit from a plan to reduce these costs and avoid additional employee lay-offs.
- ▲ **Review Contract Terms and Conditions:** Review existing contracts with vendors to determine the ability to either renegotiate terms and conditions to bring the value for the services rendered into alignment with budgetary constraints, or to cancel projects.
- ▲ **Manage Stakeholders:** Establish a communications plan with key stakeholders to propose changes and educate them on the implications of various options and engage them in solutions.
- ▲ **Provide Recommendations:** Prepare and present options to the City, outlining recommendations to effectively restructure its debt and return the City to fiscally sound practices with the ability to operate within its established budget. Understanding that the goal is to avoid bankruptcy, A&M will only recommend this avenue if it determines that there are no other viable options.

A&M Value Proposition

A&M offers critical assistance to distressed organizations. Working directly with management, we help stabilize operations, address financial concerns and position the organization for successful financial and operational restructuring. Our involvement reassures creditors that the organization is taking important steps to address its problems and restore financial stability. During a restructuring, we work with the organization in a capacity that best meets its needs. We provide the expertise and leadership necessary to achieve the desired outcome. In Stockton, we will work side-by-side in partnership with the City to ensure that a plan is devised reflecting the vision and priorities of the City and the communities' specific requirements by:

- ▲ Providing advice on specific aspects of the turnaround process;
- ▲ Assistance in crafting and executing a financial restructuring plan; and/or
- ▲ Assistance in developing and implementing an operational turnaround plan.

Utilizing our approach of providing delivery through assured leadership and execution, A&M is committed to providing Stockton with experienced, senior leaders who have a proven track record managing complex, high profile situations. Dedicated to assisting in the implementation of a plan reflecting the City's vision and priorities as well as the specific requirements of the community, we focus senior resources at every stage of the delivery process, forging consensus around credible, executable

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City of Stockton, California
Restructuring and Fiscal Advisory Services

solutions. Complete resumes for the principals who will support Stockton are included in the Personnel section of this document.

A&M Qualifications

Founded in 1983, Alvarez & Marsal is a multifaceted professional services firm, with more than 1,700 professionals in 40 cities across the globe. As one of the fastest growing, independent global professional services firm, A&M provides financial and operational restructuring, agency modernization and project turnaround, performance improvement, crisis management, large-scale program management, asset management and real estate, financial management, supply chain management and IT strategy/planning solutions to our clients.

In 2003, A&M launched a group specifically devoted to serving the unique needs of the public sector. Alvarez & Marsal Public Sector Services, LLC provides strategic financial management, crisis management and performance improvement services to Federal, State and Municipal organizations. A&M has developed and refined a progressive, pragmatic and forward-looking approach to addressing the unique issues facing the public sector. Our approach draws on more than 25 years of experience in improving the operational and financial performance of privately held and public companies, and more recently, public-sector organizations.

Our strong operational heritage and hands-on-approach differentiates our program management. Our experienced professionals repeatedly tackle complex business issues to better serve our clients. We often respond to time-pressured and resource-constrained situations enabling us to quickly and effectively protect and maintain core services while remediating issues.

Whether handling the largest bankruptcy in the history of the U.S. (Lehman Brothers Holdings, Inc.), managing the rebuilding of the New Orleans Public Schools after Hurricane Katrina, or developing a robust financial solvency and sustainability plan to balance the Detroit Public Schools' budget, Alvarez & Marsal has consistently built on its reputation for improving the operational and financial performance of both private-sector companies and public-sector organizations.

Recognized by the Turnaround Management Association for five consecutive years, A&M has an unparalleled record providing restructuring and fiscal advisory services to public sector and private organizations. A&M has also received significant attention for work in the Public Sector, including stories in: The Wall St. Journal, Jim Lehrer News Hour on PBS, BusinessWeek, The Chronicle of Philanthropy and Education Week. The St. Louis Public Schools became the first district to hire a corporate turnaround firm to help save a system on the brink of bankruptcy and in dire need of a major overhaul. A&M's role with the St. Louis Public Schools resulted in decisive cost reductions and operational improvements which helped to sharply reduce a \$75 million year-end deficit and eliminate a \$99 million cash shortfall. A&M's long-standing history and proven track record providing restructuring and financial recovery plans for public and private sector clients includes:

- ▲ Managing large restructuring and turnaround programs including efforts at Lehman Brothers (largest bankruptcy in history), Washington Mutual (largest bank failure in history), HealthSouth, Arthur Andersen, Chicago Tribune, and the Los Angeles Times among many others.

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City of Stockton, California Restructuring and Fiscal Advisory Services

- ▲ Serving as a Third Party Fiduciary Agent and providing interim financial management to overcome serious recurring deficiencies in the administration of a U.S. Territory's Federal programs.
- ▲ Identifying and supporting the implementation of nearly \$290 million in recurring cost savings and reallocation over a two year period for the largest public school system in the United States.
- ▲ Developing a robust financial solvency and sustainability plan that maps strategic benchmarks, drivers and processes, and provides a framework to balance the budget while implementing and executing the plan for a large urban school district with a socioeconomically disadvantaged population.
- ▲ Conducting an assessment of the finance and operations departments of a large public safety net hospital with a Level 1 trauma center and teaching facility, identifying \$66 million in cost reduction initiatives without compromising the organization's commitment to providing quality healthcare and training future healthcare professionals.
- ▲ Improving the operating performance of a \$2.4 billion non-profit healthcare system by implementing a strategy that focuses on cutting excess costs and duplicative processes, gaining increases in managed care rates, and devising efficiencies to its supply chain.
- ▲ Providing real estate and transaction advisory services for Enhanced Use Leasing (EUL) programs for Federal and local governments, permitting out leases of underutilized assets to reduce costs and generate revenues.
- ▲ Providing real estate and transaction advisory services for the disposition of low income housing.
- ▲ Performing feasibility and economic impact studies on major new tourism, commercial, real estate and retail developments, including projecting direct and induced revenues and expenditures, employment, payroll and other fiscal impacts.
- ▲ Testifying before state legislature and Federal regulatory agencies regarding changing bond law, calculating debt coverage from various sources including sales taxes, property taxes, parking fees, and payments-in-lieu-of taxes (PILOTs).

Robert Bobb Group Qualifications

The Robert Bobb Group provides management and turnaround consulting to urban municipalities and the education sector with specific expertise in budget, finance and operations management. Robert Bobb most recently served as the Emergency Manager for the ***Detroit Public Schools*** with responsibility for turning around the district in the midst of a financial and academic emergency. A graduate of the Broad Superintendents Academy, Mr. Bobb was the elected President of the D.C. Board of Education and the President of the D.C. State Board of Education. Mr. Bobb served in the City Manager positions in the cities of ***Oakland, Santa Ana, District of Columbia, Richmond***, and other cities over a span of 30 years.

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City of Stockton, California
Restructuring and Fiscal Advisory Services

TECHNICAL APPROACH

To successfully drive the outcomes necessary, the Fiscal and Financial Advisor needs to quickly understand the financial crisis, understand what has been recommended to date, create a strategy that all constituent parties can embrace which defines motivations of stakeholders in Stockton and the State of California as well as the bondholders, citizens who utilize City services, taxpayers and general creditors. Through implementation, our team is prepared to negotiate on the City's behalf leveraging our understanding of their positions in view of the City's short and longer term plans and the needs of its constituents.

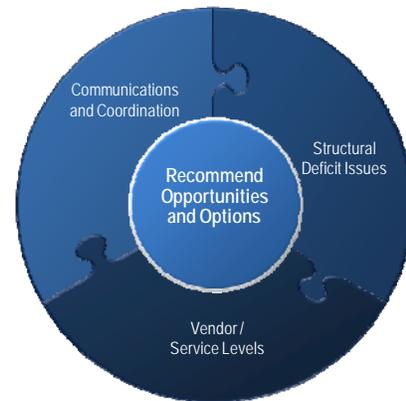
The A&M Team proposes performing a 5-Week Initial Assessment of Stockton as described below. This 5-Week Initial Assessment and related deliverables, would provide the City with a basis (1) to build consensus among all its constituencies, (2) to provide its management a roadmap to restructure the City's finances and operations, and (3) to serve as an implementation tool should the City elect to have A&M do so.

To launch the 5-Week Initial Assessment, the A&M Team will formally kick-off the project and will execute the tasks identified below.

Communication and Coordination

Our professionals understand that implementing a successful communications plan supports effective management and execution of any project and ultimately, the adoption of change by Stockton leadership and staff. On each engagement, we take a systematic approach to developing a customized communication plan and supporting the execution and monitoring of the associated activities.

We propose utilizing our Communications Advisor to work in close collaboration and partnership with the City Manager and the City's Communications Specialists to help support all operational activities, to create awareness of the engagement, to build support for the program across the City and to enable better quality control and risk management. The Team will initially confirm the communication objectives and will, throughout the project, conduct the activities required to build, execute, and monitor communications amongst the team and City leadership.





**City of Stockton, California
Restructuring and Fiscal Advisory Services**

Communication and Coordination	
Key Activities	Key Tasks
Conduct Kick-off	Review Stockton’s operational intent and strategy.
	Develop understanding of statutory requirements for governmental services.
	Confirm project priorities, expectations, roles, responsibilities, and accountabilities for the project.
	Identify key internal stakeholders across City government and other stakeholders as required.
	Establish working teams by service area and hold Kick-Off meetings with key departmental resources on an as needed basis.
	Develop preliminary project communication plan and finalize format for progress reporting.
	Finalize diagnostic assessment requirements and assessment methodology.
Gather Reports and Preliminary Data	Finalize work plan and confirm key milestones and deliverables.
	Collect existing relevant background data (e.g. org charts, job descriptions, budgets, staffing ratios, historical performance data, process maps, policies & procedures, etc.).
	Review applicable documents and reports.

After the initial kick-off meetings with the proper calibration of the goals and objectives of the overall project and who is accountable to whom for what, our activities typically include many of the concepts listed below:

1. We will create projections of revenues and expenditures for the current year and several years going forward in most of our private and public sector engagements, and in all cases we prepare several scenarios, including assuming the continuation of present operations and as impacted by the measures in a restructuring plan. By doing so, we helped the Orleans Parish Public Schools system to obtain their first clean audit in almost a decade. In Detroit, we have advised the Governor and Legislature that they face an ongoing structural deficit that was not addressed by prior measures. In the District of Columbia, we found that there was no structural deficit, but that changes needed to be made in order to avoid de-stabilizing the system.
2. In every public sector restructuring engagement, we provide realistic recommendations which will:
 - i. Eliminate deficits and deficit funds.
 - ii. Balance the budget, avoid future deficits in funds and maintain current payments of payroll, fringe benefits and accounts through possible revenue enhancement recommendations, including tax or fee changes (if necessary and practical given

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current circumstances). We have provided reports and recommendations that have been provided to several state legislatures, including those of Louisiana, Michigan, DC, Wisconsin, Arkansas and New Mexico.

- iii. Avoid a fiscal emergency condition in the future.
 - iv. Enhance the ability of the City to negotiate new general obligation bonds, lease rental debt, funded debt and tax and revenue anticipation borrowing.
 - v. Consider changes in accounting and automation procedures for the financial benefit of the City.
3. Possible changes in collective bargaining agreements and permanent and temporary staffing level changes in the organization. As discussed above, we have routinely become involved in finding creative options that have been accepted by unions through the collective bargaining process.
 4. We have prepared recommended changes in municipal ordinances or rules in New York, District of Columbia, Louisiana, Wisconsin, Arkansas, and New Mexico among others.
 5. With over 300 forensic accountants in staff, we can recommend special audits or further studies, but only when necessary. Our philosophy includes a bias to action, to make needed change rather than spend excessive time conducting studies.
 6. We have analyzed and over-seen the privatization of a variety of municipal services from school busing, to foodservices, to whether or not municipally owned hospitals were the best means for a municipality to provide hospital services to its constituents. We would be comfortable providing an analysis of whether functional consolidation of or privatization of existing municipal services is appropriate and feasible and providing recommendations for where and how this could be done.
 7. With respect to several municipalities – primarily education and hospital districts – we have prepared capital programs and budgets which addresses infrastructure deficiencies.

Structural Deficit Issues

As a starting point for our analysis and plan development, The A&M Team will focus on the 2011-12 Budget. The budget and financial management process will also review and determine, with the City, the various economic drivers that can impact the delivery of core services to the City. This will include an analysis of a number of economic variables central to the community including consumer spending, construction starts, tax collections, etc.

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Budget and Financial Management Processes	
Key Activities	Key Tasks
Perform Overall Budget Review	Perform comprehensive bottoms-up review of the 2011-12 budget and budget process.
	Review all assumptions related to debt, revenue, grants, etc that have potential to fluctuate.
	Review proposals made by the various stakeholders to resolve shortfalls.
Analyze Current Practices	Review revenue management, forecasting and optimization.
	Evaluate City-wide and departmental financial performance monitoring and reporting.
	Review budget performance over past three years.
	Review of the 2011-12 current budget planning process and established policies and procedures for budget and financial performance reporting. <ul style="list-style-type: none"> Review the FY 2011-12 and prior year budget planning assumptions, monitoring and adjustment processes, and how the current year budget is aligned the various current organizational goals and departmental objectives.
	Review revenue projects and modeling strategies focused on the sources driving revenue generation and revenue potential to the City. Our analysis will include sources for general governmental services including property taxes, local use taxes, enterprise operation revenues, and business license revenues.
	Review expenditure projections and modeling strategies related to major drivers of costs including: personnel services, purchased services, supplies and materials, capital improvements and infrastructure, debt service, operations and maintenance, contingency funds and transfers.

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	<p>Review financial and service issues that are critical to the City’s continuing goals of providing critical City services, maintaining a favorable business climate, and maintaining a sound financial structure. Some of the other financial and service issues we may include in our operating and capital budget projections include the following:</p> <ul style="list-style-type: none"> • Healthcare costs and other post employment benefit issues. • Changes in household growth and demand for City services to provide essential services. • Service demand due to population growth/declines • Review of alternative means of providing the less vital services. • Capital equipment and replacement schedules. • Deferred maintenance on the City’s infrastructure. • Funding for capital projects. • Funding requirements for proposed City’s existing enterprise operations • Any additional funding requirements from potential Federal and State initiatives • Review of economic development strategies related to City’s tax base. • Evaluation of best use of City’s vacant properties. • Impact of unfunded state and federal mandates.
<p>Review Budget Development and Modeling</p>	<ul style="list-style-type: none"> • Review the 2011-12 budget planning process including revenue and expenditure planning assumptions and budget development guidelines. • Review and analyze departmental operating and capital budget spending requests for prior fiscal years and provide recommendations on resource allocation funding levels. • Assist in analyzing how the capital budget impacts the operating budget and ensure budgets reflect such costs.
	<p>Conduct current state review:</p> <ul style="list-style-type: none"> • Review the FY 2011-12 and prior year budget planning assumptions, monitoring and adjustment processes, and how the current year budget is aligned to the various current organizational goals and department objectives.

Operating Budget/Debt Service Requirements

In addition to achieving a balanced budget that minimizes the impacts felt by Stockton’s citizens, the City must review program offerings to identify opportunities for improvements or modifications. Operating Budget service programs that are critical and directly support the City and mission may need retooling. In particular, the A&M Team will assess externally sourced services to identify opportunities to improve service quality or reduce costs. Less critical offerings may be suspended or shuttered all together. We will also examine the funding sources for debt service and align available revenues to debt service requirements.

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Programs and Services Assessment	
Key Activities	Key Tasks
Examine spending for programs and services	Review current General Fund subsidies to other Fund Operations and identify cost reduction alternatives
Examine sources and uses of debt service	Review and document sources of revenue to pay for existing and any future debt service within the City's General Fund
	Review the City's capital improvements program and document any additional long term debt service needs
	Review the City's enterprise utility and other funds to see if there is an opportunity for revenue sharing within the City's General Fund
Examine new revenue available to the City's General Fund	Review of prior year comprehensive annual financial reports to ensure that recent GASB announcements are applied and recognized
	Examine opportunities for new sources of revenue within the General Fund including review of existing fees, charges for services, payment in lieu of taxes, and franchise taxes

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RELEVANT EXPERIENCE

A&M assists organizations in crisis or companies seeking to improve performance in specific financial, compliance and operational areas. Our services are grounded in an integrated financial and operational perspective that provides insight both into current business environments and into the viability of executing proposed business plans. A&M's distinct process of gathering and analyzing financial facts, combined with a 25-year history of hands-on operational leadership, gives clients the clarity they need to make informed decisions.

The Team remains committed to delivering results for our clients. As a result of our focus on outcomes, we are able to achieve a high return on investment for our clients. For example, we delivered a 71 percent return on investment for the New York City Department of Education over a five-year period. As the following case studies demonstrate, we have repeatedly achieved similar cost savings for other public sector and commercial organizations.

City of Harrisburg, PA: A&M is currently providing financial analytical support to Cravath, Swaine & Moore, LLP, in its capacity as legal advisor to the City Council of Harrisburg, which is seeking to implement a fiscal recovery plan to avoid a possible state takeover. A&M will provide monetization alternatives, financial modeling, and market comparables to help the City reduce its outstanding debt obligations.

Los Angeles Unified School District: A&M was recently hired by the Broad Foundation to conduct an organizational and financial assessment of the Los Angeles Unified School District (LAUSD). As the second largest K-12 school district in the country, LAUSD has an immense responsibility of providing quality education to the more than 1.07 million students. The district faces tremendous challenges, none more daunting than the budget crisis. For 2011-12, the Board must approve cuts of at least \$408 million, which is in addition to the \$1.5 billion reduction the previous two years. The purpose of the assessment is to discover ways to reduce costs within the district without hurting student achievement. In fact, the district is hoping to uncover ways in which student achievement can be improved through reassessing and possibly realigning resources.

New Orleans Public Schools: In the aftermath of Hurricane Katrina, the Louisiana Department of Education engaged A&M to assume fiscal and operational responsibility for New Orleans' Public Schools. A&M assumed interim management roles, including Chief Restructuring Officer, Chief Operating Officer, Chief Financial Officer, Chief Human Resources Officer, Chief Information Officer, and Chief Procurement Officer. A&M implemented a comprehensive system of internal controls to safeguard public assets and oversaw the application process to obtain insurance reimbursement and emergency relief funding. More than \$50 million in emergency assistance reimbursements was collected. In addition, A&M was successful in securing \$139 million in Community Disaster Loans and Federal Tax Credit Bonds.

St. Louis Public Schools: In 2003, the St. Louis Public Schools became the first known district to hire a corporate turnaround firm to help save a system that was on the brink of bankruptcy and in dire need of a major overhaul. Over the course of a year, while serving in critical management roles including Interim Superintendent, A&M embarked on a series of dramatic financial, operational and organizational

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reforms, bringing almost unimaginable change and improvement. Decisive cost reductions and operational improvements helped to sharply reduce a \$75 million year-end deficit and eliminate a \$99 million cash shortfall.

Detroit Public Schools: A&M recently served in an interim management capacity to assist the District with its emergency financial management, the development of long term financial strategies, economic models, and critical action plans to drive financial and operational improvement. Through our role with the Detroit Public Schools (DPS), Alvarez & Marsal has developed a five-year financial plan for the District's General Fund and supports the development of an improved cash flow model. We provide support to the Budget Department, acting as the Deputy Budget Director with a staff of four professionals. A&M also provides staffing resources for managing the day-to-day operations of Special Education and is identifying opportunities and providing DPS with recommendations which seek to improve service quality and efficiency and seek to lower costs associated with Special Education services. In addition, one of A&M's Managing Directors is a Senior Advisor to the Emergency Financial Manager.

Lehman Brothers Holdings, Inc: A&M was called in after Lehman Brothers filed for bankruptcy in 2008, implementing A&M Co-Founder Bryan Marsal as the interim CEO to administrate the proceeding. A&M professionals performed strategic assessments of over 1,000 assets, held three rounds of portfolio underwriting, restructured a second wave of assets, formalized funding processes, reorganized the Lehman real estate group with asset management focus, built IT and other infrastructure capabilities and restructured and right-sized third party agreements.

Washington Mutual, Inc: A&M was engaged in 2008 to oversee the liquidation of Washington Mutual Inc, following the bankruptcy of Washington Mutual Bank. A&M's Bill Kosturos took over as Chief Restructuring Officer, responsible for a team of 50 FTEs who established an accounting and finance infrastructure, worked with JP Morgan Chase (JPMC) to duplicate key IT systems and preserve data, and hired a team to maintain estate and ongoing corporate responsibilities. A&M successfully negotiated a settlement of numerous complex legal and financial issues with JPMC and the FDIC, securing a multi-billion dollar settlement for the estate.

State of Pennsylvania, Department of Public Welfare's Office Developmental Programs: A&M is currently supporting the program to drive fiscal controls and accountability in support of their Consolidated Waiver program representing over \$2.7B in services to the mentally and physically disabled.

State of North Carolina, Department of Health and Human Services: A&M provided support to Secretary Cansler and his team in evaluating the potential cost savings and implementation plan associated with combining the State Employee Health Plan with the current Medicaid program. Identifying potential for modernization and standardization of significant systems, A&M working with Mercer Health and Benefits identified hundreds of millions of potential savings.

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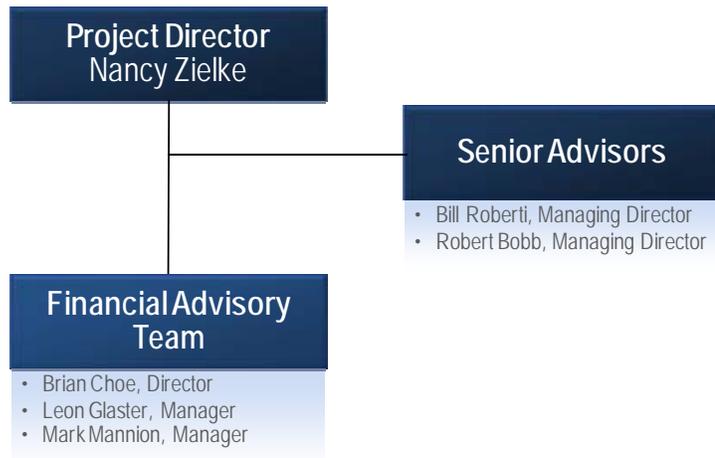


**City of Stockton, California
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MANAGEMENT AND STAFFING PLAN

Rapid deployment of large teams with complex internal work streams to quickly address complex challenges is at the heart of A&M’s work – it is what we do best – with proven and award-winning results. Our current effort at Lehman Brothers exemplifies corporate leadership and project management. Lehman involves complex numerous work streams involving A&M, subcontractors and legacy Lehman employees. Our experience is distinctive in crisis management, restructuring and turnaround situations in being able to work collaboratively with in-place staff and management. A&M professionals bring a distinct hands-on approach to addressing complex operational and financial challenges requiring speed of execution. Our operational heritage and depth of senior resources allows us to rapidly diagnose and execute practical solutions in complex business environments.

This section outlines the roles and the relationships across resources and firms. With almost 1,800 combined resources, we are committed to making the right resource available at the right time. The team organizational chart presented below outlines the commitment of our firms’ senior resources available to help Stockton address its current challenges and planning for future sustainability.



Mr. Bill Roberti will serve as the Project Director responsible for overall quality of delivery and ensuring the right resources are brought to bear as they are required. Mr. Roberti brings more than 25 years of senior executive experience. Most recently, he served as a financial advisor to Cravath on behalf of the City Council of Harrisburg, Pennsylvania on its Act 47 filing. He will be supported by public sector and industry experts to meet Stockton’s specific requirements.

Project Director

Nancy Zielke: Ms. Nancy Zielke is a Senior Director with Alvarez & Marsal. With more than 25 years of public sector financial experience, Ms. Zielke brings deep expertise in governmental budgeting and performance management systems; revenue forecasting; tax exempt capital financings; economic

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development fiscal impact studies; labor privatization and outsourcing opportunities; and strategic planning within complex government organizations.

Ms. Zielke's other work in public finance has included: serving on the executive team that developed and implemented a transition plan for consolidation of city/county government; developing capital improvement program plans for major infrastructure projects and equipment for a mid-size urban community; developing and implementing comprehensive debt financing policies; and streamlining administrative organizational structures with enhanced accountability and financial and performance efficiencies.

Prior to joining A&M, Ms. Zielke worked in state and local government, public utilities and higher education, where she served in senior financial administrative positions. Ms. Zielke has been a member of Government Finance Officers Association (GFOA), where she served on the Executive Board and was the 2004-2005 elected President of the Board. Ms. Zielke received an undergraduate degree in business administration, with concentrations in economics and marketing, from Adrian College, and a master's degree in public administration from the University of Kansas. She is a member of Women in Public Finance, the Government Finance Officers Association, and the Kansas University City Management in Training Association.

Senior Advisors

Bill Roberti: Mr. William V. Roberti serves as a Managing Director and the National Practice Leader for Alvarez & Marsal's Public Sector group. Mr. Roberti specializes in providing operational restructuring leadership and critical crisis management to underperforming or troubled organizations. He brings more than 25 years of senior executive experience, having served as Chairman and CEO of several global corporations, and has led innovative and highly specialized turnaround assignments for government and public sector organizations.

Mr. Roberti most recently served as senior advisor to the Emergency Financial Manager of Detroit Public Schools. Mr. Roberti also served as the Chief Restructuring Officer (CRO) of the Orleans Parish School Board in New Orleans, Louisiana. Previously, he served as the Interim superintendent of the St. Louis Public Schools System, where he spearheaded a critical operational, financial and educational turnaround in 2003-2004. While with A&M, Mr. Roberti has also served in leadership roles for Edison Learning, Antioch College, and the U.S. Department of Justice.

Prior to joining A&M, Mr. Roberti served as Chairman and Chief Executive Officer of Duck Head Apparel Company. He served as Chief Executive Officer of Brooks Brothers, President and Chief Executive Officer of the Plaid Clothing Group, which was the second largest tailored clothing manufacturer in the U.S. during his tenure, and Division Chief Executive Officer and Chief Operating Officer of the Zale Corporation. Mr. Roberti is a retired Colonel from the U.S. Army Reserve, where he served in several senior staff positions in the Pentagon. He is a Trustee Emeritus at Sacred Heart University and is active on the Army Distaff Foundation Board of Advisors in Washington, D.C. Mr. Roberti was featured in the book *Firing Back* by Jeff Sonnenfeld and Andrew Ward. He has also appeared on nationally syndicated TV programs, including the Jim Lehrer News Hour, about his work in the public sector.

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Robert Bobb: Mr. Robert C. Bobb brings more than 30 years of executive management experience in both the private and public sectors. Mr. Bobb holds the distinction of having served on a continuous basis as the longest tenured African-American City Manager/City Administrator in the nation. He is an expert on the issues facing urban government in the realms of education, economic development, community and neighborhood development, municipal budgeting and finances, contract negotiations, public/private partnerships of sports franchises, libraries and recreation facilities, and social problems such as crime and grime.

Mr. Bobb most recently served as the Emergency Financial Manager of the 87,000-student Detroit Public Schools since March 2, 2009. Mr. Bobb assembled a team of national turnaround experts to address the district's legacy deficit, which was projected to peak at \$305.8 M by June 2009, and to create a Master Education Plan for the 21st Century Teaching and Learning for the school district. Mr. Bobb's efforts resulted in successful passage, by a 61-39 margin, of a \$500.5 M bond issue for use of Federal stimulus funds to build and/or modernize 18 schools, an enrollment drive that exceeded budgeted projections by some 900 students, creation of Emergency Student Achievement Summer School Academies serving 34,000 students and retaining \$30.5 M in Federal Title funds, restoring the Detroit Public Schools Foundation, and ratification of a new reform contract with the teachers union.

Mr. Bobb is the former City Administrator and Deputy Mayor for Washington, D.C. and served as the District of Columbia's Homeland Security Advisor. He managed a workforce of approximately 20,000 employees and an annual budget of \$8 B. He served as the City Manager of Oakland, California and Executive Director of the Oakland Redevelopment Agency, City Manager of Richmond, Virginia, City Manager of Santa Ana, California, and City Manager of Kalamazoo, Michigan.

Financial Advisory Team

Brian Choe: Brian Choe is a Director in the Alvarez & Marsal Restructuring group in San Francisco. Mr. Choe has more than eight years of experience advising, analyzing and modeling businesses, particularly companies in high yield or distressed situations. His experience includes cash management, developing long-term forecasts for businesses, evaluation of capital structures and analysis of mergers and acquisitions. Before joining A&M, Mr. Choe was a Senior Analyst at a distressed hedge fund and a capital structure arbitrage hedge fund in New York City. Prior to his work as an analyst, Mr. Choe was an investment banker at Merrill Lynch in the Global Industries Group and an engineer at Procter & Gamble. Mr. Choe earned a master's in business administration from Yale University and a bachelor's degree in mechanical engineering with highest distinction from Purdue University. He is a member of the Association of Insolvency and Restructuring Advisors.

Leon Glaster: Mr. Glaster has worked with federal, state and local government organizations for over 30 years as a Chief Financial Officer, Chief Operations Officer and a Chief Internal Auditor. His primary area of expertise is restructuring organizations that have severe financial and system deficits. Mr. Glaster is highly skilled in asking the right questions that get at the root causes and implementing the appropriate corrective action.

Mr. Glaster has been a key member of two major school district turnaround teams beginning in 2007. The first district was able to reestablish financial sustainability and regain their local control from the

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state of California. Mr. Glaster is currently in the middle of an assignment with a major school district in the eastern area of the U.S.; the preliminary results of this high level turnaround effort are amazing. Mr. Glaster's ability to locate and garner revenues from private, state and federal resources is remarkable. He's been acknowledged and awarded for his adeptness in securing funds and stabilizing budgets experiencing desperate need of balancing and salvation from the brink of failure.

Mr. Glaster is gifted with the sense of correct decision making and immediate action needed to redirect an organization towards a financially successful focus. Another of his major strengths is associated with his knowledge and disposition of building healthy relationships and positive attitudes with involved people while linking them to the important data and necessary track to help them sustain their direction in the proper path of completing their goals.

Mr. Glaster has a mastery of critical programs and subject areas which include financial systems and services, budget development, facilities management, food services operations, purchasing and procurement systems, special education and information technology. Mr. Glaster has key affiliations with various public finance organizations and has served on various federal, state and local financial/budget "think tanks" and committees.

Mr. Glaster is a trainer and presenter for the ACSA Business Academy for Advanced Budgets and the Business of Personnel, the CASH Urban Schools Facility Committee and County School Insurance groups. He has been awarded the "Outstanding Administrator of the Year" and is an acclaimed financial consultant throughout several states, particularly California.

Mark Mannion: Mr. Mannion brings project experience in cost reduction and operational improvement in both the private and public sectors. Mr. Mannion's notable assignments include advising a K-12 public school district on a restructuring plan, proposing operational cost reduction and providing an organizational redesign. Mr. Mannion built a school staffing model that analyzed staffing ratios and priced out allocation scenarios, and designed a facility consolidation model, which analyzed the operating costs of schools.

While at A&M, Mr. Mannion gained other project experience including transactional process redesign, accounts payable function and close reduction for an insurance and reinsurance firm; engineering financial consolidation and management reporting processes for a hedge fund; pre-deal financial and operational due diligence of mining businesses; vendor selection of reporting software for a test preparation company; and budgeting cost reduction initiatives for a bankrupt industrial manufacturer.

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PRICING

A&M is excited about the opportunity to work with the City of Stockton and is pleased to provide our services at a significant discount from our standard commercial rates to demonstrate our commitment. Therefore, we propose offering our professional services based on our Federal General Services Administration (GSA) Financial and Business Solutions (FABS) schedule (Contract Number: GS-23F-0017W), Base Period, Year 2.

Title/Labor Category	Hourly Rate
Managing Director	\$458.42
Senior Director	\$424.83
Director	\$359.86
Manager	\$294.88
Associate	\$208.31
Analyst	\$187.60

We propose offering our professional services for the 5-Week Initial Assessment for \$320,732 for labor associated with this effort plus \$48,110 for reasonable out-of-pocket expenses. This proposal is valid for 60 days from date of submission to the City of Stockton.

Title/Labor Category	Cost
Senior Advisors	\$45,842
Financial Advisory Team	\$274,890
Total Labor	\$320,732
Expenses	\$48,110
Total Cost	\$368,842

The remainder of this section provides additional detail into the cost build-up for each line item of our price proposal.

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Senior Advisors Rate Table

Name	Title/Labor Category	Hourly Rate	Hours	Total Cost
Bill Roberti	Managing Director	\$458.42	50	\$22,921
Robert Bobb	Managing Director	\$458.42	50	\$22,921
			100	\$45,842

Financial Advisory Team Rate Table

Name	Title/Labor Category	Hourly Rate	Hours	Total Cost
Nancy Zielke	Senior Director	\$424.83	200	\$84,966
Brian Choe	Director	\$359.86	200	\$71,972
Leon Glaster	Manager	\$294.88	200	\$58,976
Mark Mannion	Manager	\$294.88	200	\$58,976
			800	\$274,890

Expenses

In light of the caliber of professionals required for proposed support, A&M will incur travel expenses. We request the City of Stockton provide a budget to support travel to Stockton as required. A&M will use reasonable care to manage out-of-pocket travel-related expenses to 15 percent of the total project cost but reserves the right to exceed our best estimate in the event the Team is unable to obtain reasonable rates for airfare due to fluctuations in price or less than two weeks' notice. A&M has negotiated hotel rate of \$84/night plus taxes for the duration of the initial 5-week project in Stockton, CA. Additionally, the Team will utilize GSA-published per diem rates of \$56 per day for San Joaquin County. The Team will notify the City of Stockton if it is anticipated we will exceed our estimate.

Other Considerations

To ensure the A&M Team's success executing the proposed approach, we require:

- ▲ Collaboration with the City Council and most importantly City personnel at the department and agency leadership and management levels;
- ▲ Identification of and planning for critical milestones including presentation to the City Council; and
- ▲ Access to required documentation and personnel.

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Exhibit B

CITY OF STOCKTON FISCAL ISSUES SURVEY
220-3455
A/B AND C/D SPLITS
WFT N=407

Time Began _____
Time Ended _____
Minutes _____

Hello, I'm _____ from F-M-Three, a public opinion research company. I am definitely not trying to sell you anything. We are conducting an opinion survey about issues that interest people living in the City of Stockton and we are only interested in your opinions. May I speak to _____? **(YOU MUST SPEAK TO THE VOTER LISTED. VERIFY THAT THE VOTER LIVES AT THE ADDRESS LISTED, OTHERWISE TERMINATE).**

1. Before we begin, I need to know, have I reached you on a cell phone? **(IF YES, ASK:)** "Are you in a place where you can talk safely without endangering yourself or others?"

Yes, cell and in safe place----- 1%
 Yes, cell not in safe place ----- **TERMINATE**
 No, not on cell ----- 99%
(DON'T READ) DK/NA/REF----- TERMINATE

2. Sometimes people are busy and are not able to vote. In November, there will be an election for President, Congress, and state and local offices and ballot measures. I know it is a long way off, but how likely are you to actually vote in this election? Will you definitely vote, probably vote, are the chances 50-50 that you will vote, will you probably not vote, or will you definitely not vote?

Definitely vote----- 84%
 Probably vote ----- 9%
 50-50 ----- 6%
 Probably not vote----- **TERMINATE**
 Definitely not vote ----- **TERMINATE**
(DON'T KNOW/NA)----- TERMINATE

(ASK Q3 THROUGH Q5 OF SPLIT SAMPLE C ONLY)

NOW I WOULD LIKE TO ASK YOU ABOUT SOME MEASURES THAT MAY APPEAR ON THE BALLOT IN THE CITY OF STOCKTON IN 2013 OR LATER.

3. The measure may read as follows:

City of Stockton Public Safety and Essential City Services Measure. To improve and maintain essential City services, which may include implementing a community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving 9-1-1 emergency response services, increasing anti-gang, and crime prevention programs; and other general services such as street repair, libraries and parks, shall the City of Stockton establish a three-quarter cent sales tax with citizens’ oversight, independent audits and local control over all revenues?

Having heard this description, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES ----- 71%
 Definitely yes ----- 39%
 Probably yes ----- 27%
 Undecided, lean yes ----- 5%

TOTAL NO ----- 23%
 Undecided, lean no ----- 4%
 Probably no ----- 7%
 Definitely no ----- 12%

(DON’T READ) DK/NA ----- 6%

4. Now suppose this measure included a provision that would require it to expire after 10 years if it is not reauthorized by voters. If that were the case, would you be more or less likely to vote yes in favor of the three-quarter cent sales tax measure I just described to you? **(IF MORE/LESS LIKELY, ASK: “Is that much MORE/LESS likely, or just somewhat?”)**

TOTAL MORE ----- 60%
 Much more likely ----- 36%
 Somewhat more likely ----- 25%

TOTAL LESS ----- 24%
 Somewhat less likely ----- 9%
 Much less likely ----- 15%

NO DIFF/DK/NA ----- 16%
(DON’T READ) Makes no difference- 11%
(DON’T READ) DK/NA ----- 5%

5. Now, as currently written, the revenue raised by the measure we have been discussing could be spent on any City service. Suppose this three-quarter cent sales tax measure were written to legally require all revenue it raises to be dedicated only to public safety services, such as expanding the police force, increasing neighborhood patrols and improving crime prevention, 9-1-1 emergency response times, and anti-gang programs. If that were the case, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES-----**78%**

Definitely yes ----- 56%

Probably yes ----- 20%

Undecided, lean yes----- 3%

TOTAL NO -----**19%**

Undecided, lean no----- 1%

Probably no ----- 6%

Definitely no ----- 11%

(DON’T READ) DK/NA-----**3%**

(ASK Q6 THROUGH Q9 OF SPLIT SAMPLE D ONLY)

NOW I WOULD LIKE TO ASK YOU ABOUT SOME MEASURES THAT MAY APPEAR ON THE BALLOT IN THE CITY OF STOCKTON IN 2013 OR LATER.

(SPLIT SAMPLE A ASK Q6-Q7 FIRST)(SPLIT SAMPLE B ASK Q8-Q9 FIRST)

6. (SPLIT SAMPLE A SAY: "The first measure may read as follows:")
 (SPLIT SAMPLE B SAY: "I would like to ask you about another local measure. Please listen carefully. Although the measure may sound similar to the one we just discussed, there are differences. This measure may read as follows:")

City of Stockton Public Safety and Essential City Services Measure. To improve and maintain essential City services, which may include implementing a community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving 9-1-1 emergency response services, increasing anti-gang, and crime prevention programs; and other general services such as street repair, libraries and parks, shall the City of Stockton establish a half cent sales tax with citizens' oversight, independent audits and local control over all revenues?

Having heard this description, do you think you would vote "yes" in favor of this measure or "no" to oppose it? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: "Do you lean toward voting yes or no?")**

	SPLIT A: HEARD FIRST	SPLIT B: HEARD SECOND	OVERALL
TOTAL YES -----	76% -----	65% -----	70% -----
Definitely yes-----	46%-----	29%-----	37%-----
Probably yes-----	20%-----	30%-----	26%-----
Undecided, lean yes-----	10%-----	5%-----	7%-----
 TOTAL NO -----	 18% -----	 26% -----	 22% -----
Undecided, lean no-----	2%-----	1%-----	1%-----
Probably no-----	5%-----	11%-----	8%-----
Definitely no-----	11%-----	14%-----	12%-----
 (DON'T READ) DK/NA -----	 7% -----	 10% -----	 8% -----

7. Now suppose this measure included a provision that would require it to expire after 10 years if it is not reauthorized by voters. If that were the case, would you be more or less likely to vote yes in favor of the half-cent sales tax measure I just described to you? **(IF MORE/LESS LIKELY, ASK: “Is that much MORE/LESS likely, or just somewhat?”)**

TOTAL MORE ----- 64%
 Much more likely ----- 43%
 Somewhat more likely ----- 21%

TOTAL LESS ----- 16%
 Somewhat less likely ----- 4%
 Much less likely ----- 12%

NO DIFF/DK/NA ----- 20%
(DON'T READ) Makes no difference- 14%
(DON'T READ) DK/NA ----- 6%

(SPLIT SAMPLE A ASK Q6-Q7 FIRST)(SPLIT SAMPLE B ASK Q8-Q9 FIRST)

8. **(SPLIT SAMPLE A SAY:** “I would like to ask you about another local measure. Please listen carefully. Although the measure may sound similar to the one we just discussed, there are differences. This measure may read as follows:”)
(SPLIT SAMPLE B SAY: “The first measure may read as follows:”)

City of Stockton Fiscal Stability and Essential City Services Protection Measure. To improve and maintain essential City services, which may include implementing a community-wide plan, developed by local leaders and criminal justice experts, with strategies to reduce crime in Stockton, including expanding the police force, improving 9-1-1 emergency response services, increasing anti-gang, and crime prevention programs; and other general services such as street repair, libraries and parks, shall the City of Stockton increase the utility users’ tax by 2 percent with citizens’ oversight, publicly available independent audits and local control over all revenues generated?

Having heard this description, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK:** “Is that definitely or just probably?”) **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK:** “Do you lean toward voting yes or no?”)

	SPLIT A: HEARD SECOND	SPLIT B: HEARD FIRST	OVERALL
TOTAL YES -----	49%	66%	58%
Definitely yes-----	22%	33%	28%
Probably yes-----	18%	29%	24%
Undecided, lean yes-----	9%	4%	6%
 TOTAL NO -----	 45%	 22%	 32%
Undecided, lean no-----	4%	1%	2%
Probably no-----	18%	6%	12%
Definitely no-----	22%	15%	18%
 (DON’T READ) DK/NA -----	 6%	 12%	 10%

9. Now suppose this measure included a provision that would require it to expire after 10 years if it is not reauthorized by voters. If that were the case, would you be more or less likely to vote yes in favor of the 2 percent utility users' tax increase measure I just described to you? (IF MORE/LESS LIKELY, ASK: "Is that much MORE/LESS likely, or just somewhat?")

TOTAL MORE -----48%
Much more likely ----- 30%
Somewhat more likely ----- 19%

TOTAL LESS -----30%
Somewhat less likely ----- 13%
Much less likely ----- 17%

NO DIFF/DK/NA -----21%
(DON'T READ) Makes no difference- 13%
(DON'T READ) DK/NA-----9%

(RESUME ASKING ALL RESPONDENTS) (READ SLOWLY AND CAREFULLY)

NOW I WOULD LIKE TO GIVE YOU SOME ADDITIONAL INFORMATION ABOUT SOME OF THE ISSUES THE CITY IS FACING.

AS YOU MAY KNOW, OVER THE PAST SEVERAL YEARS THE CITY HAS MADE 90 MILLION DOLLARS IN CUTS TO CITY SERVICES DUE TO DECLINING REVENUES AND HEAVY DEBT BURDENS. EMPLOYEES' COMPENSATION HAS BEEN REDUCED FROM 9 TO 23 PERCENT AND EMPLOYEES NOW PAY TOWARD PENSIONS AND HEALTHCARE COSTS. DESPITE THESE REDUCTIONS, THE CITY CONTINUES TO FACE ONGOING ANNUAL BUDGET SHORTFALLS OF MILLIONS OF DOLLARS OVER THE NEXT 10 YEARS.

IN ADDITION, THE CITY RECENTLY DECLARED BANKRUPTCY. BANKRUPTCY GAVE THE CITY FLEXIBILITY TO SUSPEND PAYMENTS ON DEBT AND OTHER EXPENSES, WHILE CONTINUING TO FUND SERVICES. IT ALSO MAY ALLOW THE CITY TO REDUCE COSTS BY RESTRUCTURING ITS DEBT AND MODIFYING THE TERMS OF CITY PAID RETIREE MEDICAL BENEFITS AND EMPLOYEE LABOR AGREEMENTS.

(SPLIT SAMPLE C ONLY)

10. The three-quarter cent sales tax measure would generate significant additional local revenues for City services. When this is combined with reductions in long-term costs achieved through bankruptcy, as well as continued efforts to reduce expenses, it will eliminate the projected budget shortfalls and allow for the restoration and increase of services. It would be accompanied by the implementation of a comprehensive plan developed by community leaders and criminal justice experts to reduce crime and improve public safety using proven strategies for addressing gangs and violent crime.

Now that you know more about it, do you think you would vote “yes” in favor of this measure or “no” to oppose it if it appeared on a future ballot? **(IF YES/NO, ASK: “Is that definitely or just probably?”)**
(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)

TOTAL YES -----	68%
Definitely yes -----	37%
Probably yes -----	27%
Undecided, lean yes-----	3%
 TOTAL NO -----	 27%
Undecided, lean no-----	5%
Probably no -----	10%
Definitely no -----	12%
 (DON’T READ) DK/NA -----	 5%

(SPLIT SAMPLE D ONLY)

11. The half-cent sales tax measure and the 2 percent utility users’ tax increase measure I just described to you would be placed on the same ballot as a comprehensive package. Together they would generate significant additional local revenues for City services. When this is combined with reductions in long-term costs achieved through bankruptcy, as well as continued efforts to reduce expenses, it will eliminate the projected budget shortfalls and allow for the restoration and increase of services. It would be accompanied by the implementation of a comprehensive plan developed by community leaders and criminal justice experts to reduce crime and improve public safety, using proven strategies for addressing gangs and violent crime.

Now that you know more about the issues, if the half-cent sales tax measure and the 2 percent utility users tax increase appeared together on a future ballot do you think you would: **(RANDOMIZE)**

<input type="checkbox"/> Vote yes on both measures -----	38%
<input type="checkbox"/> Vote yes only to support the half cent sales tax measure-----	14%
<input type="checkbox"/> Vote yes only to support the 2 percent utility users tax increase measure -----	9%
OR	
<input type="checkbox"/> Vote no on both measures -----	27%
(DON’T READ) DON’T KNOW/NA -----	12%

(RESUME ASKING ALL RESPONDENTS)

12. Now suppose (**SPLIT SAMPLE C SAY:** “this measure”) (**SPLIT SAMPLE D SAY:** “this package of measures”) appeared on the ballot while the City was still in bankruptcy. If that were the case would you be more likely or less likely to vote yes in favor of (**SPLIT SAMPLE C SAY:** “it?”) (**SPLIT SAMPLE D SAY:** “both measures?”) (**IF MORE/LESS LIKELY, ASK:** “Is that much **MORE/LESS** likely, or just somewhat?”)

TOTAL MORE -----	46%
Much more likely -----	25%
Somewhat more likely -----	20%
 TOTAL LESS -----	 31%
Somewhat less likely -----	14%
Much less likely -----	17%
 NO DIFF/DK/NA -----	 23%
(DON'T READ) Makes no difference-	14%
(DON'T READ) DK/NA -----	9%

13. Next, I am going to read you a list of ways in which the funds generated by (**SPLIT SAMPLE C SAY:** “this measure”) (**SPLIT SAMPLE D SAY:** “this package of measures”) could be spent. After I read each one, please tell me how important each item is to you personally: extremely important, very important, somewhat important, or not too important. (**RANDOMIZE**)

	EXT.	VERY	S.W.	NOT
	IMP.	IMP.	IMP.	TOO
				IMP. (DK/NA)

(ASK ALL RESPONDENTS)

[]a. Improving essential City services-----20% ----34%---- 30%---- 10% ---- 5%

(SPLIT SAMPLE A ONLY)

[]b. Increasing the number of police officers-----44% ----38%---- 14%---- 2% ---- 2%

[]c. Paying off City debt -----25% ----34%---- 29%---- 9% ---- 4%

[]d. Maintaining and expanding youth programs -----24% ----34%---- 26%---- 15% ---- 1%

[]e. Maintaining and improving libraries -----13% ----38%---- 36%---- 12% ---- 2%

[]f. Maintaining and repairing streets -----19% ----40%---- 32%---- 9% ---- 1%

[]g. Maintaining and trimming street trees ----- 8%----19%---- 52%---- 20% ---- 1%

(SPLIT SAMPLE B ONLY)

[]h. Paying for employee compensation and retiree benefits -----13% ----20%---- 34%---- 30% ---- 2%

[]i. Improving 9-1-1 emergency response times-----35% ----45%---- 14%---- 6% ---- 1%

[]j. Increasing the number of crime prevention programs-----36% ----37%---- 15%---- 10% ---- 1%

[]k. Fixing potholes -----13% ----22%---- 44%---- 20% ---- 0%

[]l. Improving and maintaining parks-----11% ----27%---- 43%---- 18% ---- 0%

[]m. Restoring senior programs -----13% ----24%---- 44%---- 16% ---- 2%

(RESUME ASKING ALL RESPONDENTS)

NOW I AM GOING TO READ YOU SOME STATEMENTS FROM SUPPORTERS AND OPPONENTS OF (SPLIT SAMPLE C SAY: "this measure") (SPLIT SAMPLE D SAY: "this package of measures")

14. First, I am going to read you some statements from supporters. After hearing each statement, please tell me whether you find it very convincing, somewhat convincing, or not convincing as a reason to support (SPLIT SAMPLE C SAY: "this measure") (SPLIT SAMPLE D SAY: "this package of measures") on a future ballot. If you do not believe the statement, please tell me that too. **(RANDOMIZE)**

(SPLIT SAMPLE A ONLY)

	<u>VERY</u>	<u>S.W.</u>	<u>NOT</u>	<u>DON'T</u>
	<u>CONV.</u>	<u>CONV.</u>	<u>CONV.</u>	<u>BELIEVE (DK/NA)</u>

[]a. **(ACCOUNTABILITY)** We all know about the City's problems with past fiscal mismanagement. (SPLIT SAMPLE C SAY: "This measure") (SPLIT SAMPLE D SAY: "This package of measures") includes tough accountability provisions, such as annual independent audits and independent citizens' oversight of all expenditures. These fiscal safeguards will ensure funds are used efficiently, effectively and as promised to voters. -----24%----- 41% -----17%----- 16% ----- 3%

[]b. **(CRIME)** Stockton has one of the highest overall crime rates in the nation. (SPLIT SAMPLE C SAY: "This measure") (SPLIT SAMPLE D SAY: "This package of measures") will provide funding to implement a comprehensive community-wide plan using proven methods to reduce crime, including hiring more police officers, increasing neighborhood patrols and crime prevention efforts, addressing gangs, and reducing violent crime. -----47%----- 31% -----16%----- 5% ----- 2%

[]c. **(RESTORE SERVICES)** Stockton has already taken drastic measures to balance its budget. Programs and services have been reduced. Employees' salaries have been cut from 9 to 23 percent and employees now pay toward pension and healthcare costs. Over the last three years the City has reduced police officers by 25 percent, the fire department by 30 percent and all other employees by 43 percent. (SPLIT SAMPLE C SAY: "This measure") (SPLIT SAMPLE D SAY: "This package of measures") will help Stockton restore and increase previously cut essential City services. -----32%----- 41% -----13%----- 9% ----- 4%

	<u>VERY CONV.</u>	<u>S.W. CONV.</u>	<u>NOT CONV.</u>	<u>DON'T BELIEVE (DK/NA)</u>
(SPLIT SAMPLE B ONLY)				
[]d. (NEW LEADERSHIP) In the past, Stockton has suffered from mismanagement of the City’s budget and finances. The City <u>now</u> has a Council and executive leadership team that are taking important steps to turn the City around, including reducing excessive employee and retiree compensation, cutting bureaucracy and eliminating waste. (SPLIT SAMPLE C SAY: “This measure”) (SPLIT SAMPLE D SAY: “this package of measures”) is a part of a comprehensive plan to stabilize the budget and get the City’s fiscal house in order. -----	20%	44%	22%	12% ----- 2%
[]e. (THE FUTURE) Stockton is experiencing a severe fiscal crisis, including a dramatic loss of revenue and budget deficits of millions of dollars over the next 10 years. (SPLIT SAMPLE C SAY: “This measure”) (SPLIT SAMPLE D SAY: “This package of measures”) is vital to getting our City back on sound financial footing and addressing crime so that we <u>and</u> our children and grandchildren can live in a safe and better Stockton. -----	30%	38%	20%	11% ----- 1%
[]f. (QUALITY OF LIFE) The economic recession, the state budget crisis, and Stockton’s bankruptcy have threatened our quality of life. Stockton has one of the highest crime rates in the nation and the City’s future is at risk. We cannot rely on anyone else to fix our problems. By passing (SPLIT SAMPLE C SAY: “this measure”) (SPLIT SAMPLE D SAY: “this package of measures”) , we can stabilize Stockton’s finances and restore and increase essential services that will improve the quality of life and safety of our community. -----	29%	38%	21%	11% ----- 0%

(SPLIT SAMPLE C ONLY)

15. Now that you have heard more about it, I would like to ask you again about the **City of Stockton Public Safety and Essential City Services Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by establishing a three-quarter cent sales tax. If this measure were on a future local ballot, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES-----73%
 Definitely yes ----- 45%
 Probably yes ----- 22%
 Undecided, lean yes-----6%

TOTAL NO -----24%
 Undecided, lean no-----3%
 Probably no -----9%
 Definitely no----- 12%

(DON’T READ) DK/NA-----3%

(SPLIT SAMPLE D ONLY)

NOW THAT YOU HAVE HEARD MORE ABOUT THE ISSUES, I WOULD LIKE TO ASK YOU AGAIN ABOUT THE TWO MEASURES WE HAVE BEEN DISCUSSING.

(SPLIT SAMPLE A/D ASK Q16 FIRST, THEN Q17)

(SPLIT SAMPLE B/D ASK Q17 FIRST, THEN Q16)

16. **FIRST/NEXT** I would like to ask you about the **Stockton Public Safety and Essential City Services Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by establishing a half cent sales tax. If this measure were on a future local ballot, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES-----73%
 Definitely yes ----- 37%
 Probably yes ----- 30%
 Undecided, lean yes-----6%

TOTAL NO -----25%
 Undecided, lean no-----2%
 Probably no -----8%
 Definitely no----- 15%

(DON’T READ) DK/NA-----2%

(SPLIT SAMPLE A/D ASK Q16 FIRST, THEN Q17)

(SPLIT SAMPLE B/D ASK Q17 FIRST, THEN Q16)

17. **FIRST/NEXT** I would like to ask you about the **Stockton Fiscal Stability and Essential City Services Protection Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by increasing the utility users' tax by 2 percent. If this measure were on a future local ballot, do you think you would vote "yes" in favor of this measure or "no" to oppose it? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: "Do you lean toward voting yes or no?")**

TOTAL YES -----	62%
Definitely yes -----	27%
Probably yes -----	30%
Undecided, lean yes-----	5%

TOTAL NO -----	34%
Undecided, lean no-----	0%
Probably no -----	14%
Definitely no-----	20%

(DON'T READ) DK/NA-----4%

(RESUME ASKING ALL RESPONDENTS)(READ SLOWLY AND CAREFULLY)

NEXT, I AM GOING TO READ YOU A STATEMENT FROM OPPONENTS.

OPPONENTS SAY LOCAL RESIDENTS ARE ALREADY OVER TAXED AND CANNOT AFFORD ANY NEW TAXES—ESPECIALLY AT A TIME WHEN UNEMPLOYMENT IN STOCKTON IS OVER 19 PERCENT AND MANY FAMILIES ARE STRUGGLING JUST TO MAKE ENDS MEET.

IN ADDITION, OPPONENTS SAY TAXPAYERS SHOULD NOT HAVE TO PAY THE PRICE FOR THE CITY'S BAD DECISION MAKING AND THE CITY CANNOT BE TRUSTED TO MANAGE ADDITIONAL REVENUE. OPPONENTS SAY MOST OF THE REVENUE FROM

(SPLIT SAMPLE C SAY:" THIS MEASURE")

(SPLIT SAMPLE D SAY: "THIS PACKAGE OF MEASURES")

WILL GO TOWARD PAYING EXCESSIVE PUBLIC EMPLOYEE SALARIES AND RETIREE BENEFITS, AS WELL AS DEBT RESULTING FROM THE CITY'S FAILED DOWNTOWN REDEVELOPMENT SCHEMES. THEY SAY THAT AFTER THE CREDITORS AND PUBLIC EMPLOYEES GET THEIR MONEY THERE WILL BE NOTHING LEFT OVER TO ADDRESS CRIME OR IMPROVE CITY SERVICES FOR RESIDENTS.

(SPLIT SAMPLE C ONLY)

18. Sometimes over the course of a survey like this people change their minds and sometimes they do not. I would like to ask you one last time about the **City of Stockton Public Safety and Essential City Services Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by establishing a three-quarter cent sales tax. If this measure were on a future local ballot, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES-----**62%**
 Definitely yes ----- 37%
 Probably yes ----- 22%
 Undecided, lean yes-----4%

TOTAL NO -----**33%**
 Undecided, lean no-----3%
 Probably no -----8%
 Definitely no----- 22%

(DON’T READ) DK/NA-----4%

(SPLIT SAMPLE A/D ASK Q19 FIRST, THEN Q20)**(SPLIT SAMPLE B/D ASK Q20 FIRST, THEN Q19)**

19. **(SPLIT SAMPLE A SAY:)** “Sometimes over the course of a survey like this people change their minds and sometimes they do not.” **(SPLIT SAMPLE B SAY: “Next”)** I would like to ask you one last time about the **Stockton Public Safety and Essential City Services Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by establishing a a half cent sales tax. If this measure were on a future local ballot, do you think you would vote “yes” in favor of this measure or “no” to oppose it? **(IF YES/NO, ASK: “Is that definitely or just probably?”)** **(IF UNDECIDED, DON’T KNOW, NO ANSWER, ASK: “Do you lean toward voting yes or no?”)**

TOTAL YES-----**66%**
 Definitely yes ----- 32%
 Probably yes ----- 29%
 Undecided, lean yes-----5%

TOTAL NO -----**31%**
 Undecided, lean no-----2%
 Probably no ----- 10%
 Definitely no----- 18%

(DON’T READ) DK/NA-----3%

(SPLIT SAMPLE A/D ASK Q19 FIRST, THEN Q20)

(SPLIT SAMPLE B/D ASK Q20 FIRST, THEN Q19)

20. (SPLIT SAMPLE A SAY: "Next")(SPLIT SAMPLE B SAY:) "Sometimes over the course of a survey like this people change their minds and sometimes they do not." I would like to ask you about the **Stockton Fiscal Stability and Essential City Services Protection Measure**. As you may recall this measure would provide funding to improve and maintain essential City services, which may include implementing a community-wide plan to reduce crime and other general services such as street repairs, libraries and parks by increasing the utility users' tax by 2 percent. If this measure were on a future local ballot, do you think you would vote "yes" in favor of this measure or "no" to oppose it? **(IF YES/NO, ASK: "Is that definitely or just probably?") (IF UNDECIDED, DON'T KNOW, NO ANSWER, ASK: "Do you lean toward voting yes or no?")**

TOTAL YES-----**52%**
 Definitely yes ----- 21%
 Probably yes ----- 24%
 Undecided, lean yes----- 8%

TOTAL NO -----**43%**
 Undecided, lean no----- 4%
 Probably no ----- 12%
 Definitely no ----- 26%

(DON'T READ) DK/NA----- 5%

(RESUME ASKING ALL RESPONDENTS)

21. Now I would like to ask you about a slightly different issue. Suppose the City placed a tax measure on the ballot this year that would primarily provide funding to pay existing debt holders, employee compensation and benefits, and city paid retiree medical benefits, but would not provide funding to improve existing City services or restore services that have previously been cut.

If that were the case would you support or oppose such a measure? **(IF SUPPORT/OPPOSE, ASK:):**
 "Is that strongly **(SUPPORT/OPPOSE)** or just somewhat?"

TOTAL SUPPORT-----**21%**
 Strongly support----- 8%
 Somewhat support----- 13%

TOTAL OPPOSE-----**74%**
 Somewhat oppose ----- 23%
 Strongly oppose ----- 51%

(DON'T READ) DK/NA ----- 5%

HERE ARE MY LAST QUESTIONS, AND THEY ARE FOR STATISTICAL PURPOSES ONLY.

22. And which of the following news sources do you use regularly to find out what is going on Stockton:
(ACCEPT MULTIPLE RESPONSES)

Local news on network television-----	64%
Radio talk shows -----	18%
<i>The Stockton Record</i> -----	48%
Websites and blogs about local issues--	35%
City employees -----	12%
Friends and family -----	35%
Other (SPECIFY)_____	3%
(DON'T READ) Don't know/Refused ---	1%

23. (T) Do you own or rent your home or apartment?

Own -----	64%
Rent -----	32%
(DON'T READ) Refused-----	4%

24. (T) In what year were you born?

1994-1988 (18-24) -----	14%
1987-1983 (25-29) -----	4%
1982-1978 (30-34) -----	8%
1977-1973 (35-39) -----	7%
1972-1968 (40-44) -----	7%
1967-1963 (45-49) -----	9%
1962-1958 (50-54) -----	9%
1957-1953 (55-59) -----	9%
1952-1948 (60-64) -----	10%
1947-1938 (65-74) -----	12%
1937 or earlier (75 & over) -----	9%
(DON'T READ) DK/Refused-----	2%

25. (T) With which racial or ethnic group do you identify yourself? (READ CHOICES BELOW)

Latino/Hispanic-----	24%
African American/Black -----	13%
Caucasian/White -----	46%
Asian/Pacific Islander -----	9%
Or some other group (SPECIFY _____)	1%
(DON'T KNOW/REFUSED) -----	7%

THANK AND TERMINATE

GENDER (BY OBSERVATION): Male----- 48%
 Female ----- 52%

PARTY REGISTRATION: Democrat ----- 48%
 Republican ----- 35%
 No Party Preference----- 13%
 Other -----4%

Name _____ Phone# _____

Address _____ Date _____

City _____ Zip Code _____

Interviewer _____ Cluster # _____

Verified by _____ Page # _____

Precinct _____

FLAGS

P06 -----40%
 G06 -----57%
 P08 -----40%
 G08 -----80%
 M09-----39%
 P10 -----48%
 G10 -----76%
 Blank -----13%

VOTE BY MAIL

1 -----13%
 2 -----11%
 3+ -----40%
 Blank -----36%

PERMANENT ABSENTEE

Yes -----68%
 No -----32%

HOUSEHOLD PARTY TYPE

Dem 1 ----- 26%
 Dem 2+ ----- 14%
 Rep 1 ----- 15%
 Rep 2+ ----- 14%
 Ind 1+ ----- 10%
 Mix ----- 22%

CITY COUNCIL DISTRICT

1 ----- 20%
 2 ----- 17%
 3 ----- 19%
 4 ----- 18%
 5 ----- 13%
 6 ----- 13%