

5

1 MARC A. LEVINSON (STATE BAR NO. 57613)
 malevinson@orrick.com
 2 NORMAN C. HILE (STATE BAR NO. 57299)
 nhile@orrick.com
 3 PATRICK B. BOCASH (STATE BAR NO. 262763)
 pbocash@orrick.com
 4 ORRICK, HERRINGTON & SUTCLIFFE LLP
 400 Capitol Mall, Suite 3000
 5 Sacramento, California 95814-4497
 Telephone: +1-916-447-9200
 6 Facsimile: +1-916-329-4900

7 Attorneys for Debtor
 City of Stockton
 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. JD-1
 Chapter 9

**DECLARATION OF KURT WILSON
 IN SUPPORT OF CITY OF
 STOCKTON'S OPPOSITION TO
 FRANKLIN'S MOTION FOR STAY
 PENDING APPEAL OF
 CONFIRMATION ORDER**

Date: December 10, 2014
 Time: 11:00 a.m.
 Dept: C, Courtroom 35
 Judge: Hon. Christopher M. Klein

22
 23
 24
 25
 26
 27
 28

1 I, Kurt Wilson, hereby declare:

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

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

21 Harm Caused By A Stay Pending Appeal

22 3. Whether it’s the utility workers and accountants who provide the thankless but
23 necessary services that no one sees, the police officers who shape actual and perceived levels of
24 safety, or the executives who guide every facet of the organization, it’s important to maintain and
25 build upon our current levels of experience and expertise in order to become a healthy and
26 fiscally sustainable organization. I need the public to be and feel safe enough to foster an
27 environment where the City’s economic development team can attract and retain the businesses
28 that generate the tax revenues that ensures our long-term fiscal health.

1 4. The City is currently in the final stages of developing an Economic Development
2 Strategic Plan designed to maximize our efforts to capture the revenues of development
3 opportunities. This is a seminal factor in our long-term recovery. However, it would be futile to
4 attempt implementation of the plan while we are still in bankruptcy. The development process
5 underlying those increased revenues can be a long and risky process. In order for developers to
6 be willing to make investments, and in order for the City to reap the benefits, timing is an
7 important factor. Today, the national and regional economies are beginning to show strong signs
8 of growth which makes it the optimal time for developers to begin new investments. If forced to
9 endure the time and uncertainty of a delay in resolving the bankruptcy process, developers will be
10 less willing to risk new investment in Stockton. Waiting for a year or years for resolution of the
11 bankruptcy case could jeopardize these investments, as the level of risk to developers will
12 increase as they perceive the recovery stage of the economic cycle winding down and the next
13 economic downturn approaching. This would deprive the City of the tax revenues that come
14 from those developments and those losses are neither easily remedied nor replaced. Stockton has
15 a heightened sensitivity to the timing of financial transactions because the timing of past
16 transactions was a contributing factor in the last fiscal crisis. In one example, the CalPERS
17 investment losses of the great recession occurred shortly after Stockton issued its Pension
18 Obligation Bonds. This negated the benefits of those bonds and ended up being a costly
19 transaction for the City.

20 5. I also need to maintain a financial team that, unlike its predecessors, keeps timely
21 and accurate records and develops the tools to monitor fiscal trends and raise early red flags to
22 spur early corrective action. I'm not sure I can accomplish that with the renewed anxiety and
23 uncertainty that would come from a stay that could last a year, or even two or three years.

24 6. Beginning with the pre-bankruptcy process, Stockton has endured, and persevered,
25 through the most difficult time of her 165-year history. That was possible because many
26 employees answered the call to do more with less and to push themselves to their limits in order
27 to benefit the organization. That heroic effort was necessary but is not sustainable. Our
28 trajectory is good but, at this moment in time, we are operating on adrenaline and remain a

1 weakened organization of marginal but increasing health. In order to solidify our foundation as a
2 healthy organization with perpetual financial stability, we must continue our recent progress in
3 our core behind-the-scenes functions as well as make major strides in finance, public safety, and
4 economic development. This is only possible with stellar leadership from the new executive
5 management team and the dedicated competence of the front line employees.

6 7. Any delay in the implementation of the plan of adjustment will inject a new wave
7 of anxiety and uncertainty into an already fragile existing and potential workforce. In the case of
8 a stay, I have strong concerns about the City's ability to retain those same executives and the
9 ability to retain and attract high-quality employees in front line areas like law enforcement, fiscal
10 services, and public utilities. As Police Chief Eric Jones has explained, the bankruptcy has had a
11 profound negative impact on the retention and recruitment of police officers. The same principles
12 apply in other areas of the organization and continue to leave us struggling in areas like
13 accounting, human resources, water, and wastewater operations. For example, our new water
14 treatment plant remained shuttered much of this year because of our inability to retain and recruit
15 qualified personnel in the midst of the uncertainty of bankruptcy.

16 8. My executive team consists primarily of Department Heads who took the reins
17 during the City's financial crisis. This means they came for the specific purpose of helping to
18 guide the City through the bankruptcy process with the understanding that fixing the City would
19 be the highlight of their professional careers. That potential reward has to date outweighed the
20 risk of working for a bankrupt city, considering that the post-bankruptcy environment promises
21 an opportunity to provide quality public service in a calm, stable environment. That level of risk
22 would increase with the prospect of adding the time and uncertainty of a stay. When the risk
23 outweighs the reward, the City and I lose people. They are exceptionally qualified and dedicated
24 public servants who took personal and professional risks to lead Stockton during such a difficult
25 time. The City's positive outcomes are a direct result of their contributions. Throughout this
26 process they have also become adept at identifying and resolving the various forms of insolvency
27 (budget, service-delivery, long-range, and cash). The completion of the plan confirmation
28 process was an important milestone not only for the City, but also for the Department Heads,

1 many of whom joined the City specifically to help design and bring to fruition the City's
2 economic and services recovery under the plan of adjustment. Having already endured over two
3 years of uncertainty and instability because of the bankruptcy, all the while subject to extreme
4 demands on their time and energy, these executives are eager to see their efforts bear fruit by
5 moving forward and implementing the plan. If confirmation is delayed, and these executives are
6 instead asked to cool their heels for an extended appeal period, I fear that they will consider
7 cutting their losses and go elsewhere, taking their experience with them.

8 9. The current team has proven to be successful. In order to ensure continued
9 progress, it is in the City's best interest to minimize turnover at the executive level. The team is
10 battered and bruised from the strenuous work environment of the last few years, but I believe
11 most of them are inclined to stay through the next phase of Stockton's revival as long as the
12 potential reward of being able to serve the public outweighs the risks. If the plan implementation
13 is delayed, however, I am deeply concerned that the uncertainty may prompt the departure of
14 more Department Heads. In addition to the traditional factors of compensation and workplace
15 stability, I am competing against cities and counties from around the country who, after watching
16 Stockton's process, are willing to go to great lengths to entice the seasoned and battle-tested
17 professionals to leave. Those other agencies that are still experiencing some level of fiscal
18 distress are searching for staff-driven solutions and have been particularly aggressive at trying to
19 recruit our executives. The City and I cannot afford to lose them, and the odds of their leaving
20 increase if a stay is granted.

21 Executed this 25th day of November 2014, at Stockton, California. I declare under
22 penalty of perjury under the laws of the State of California and the United States of America that
23 the foregoing is true and correct.



Kurt Wilson