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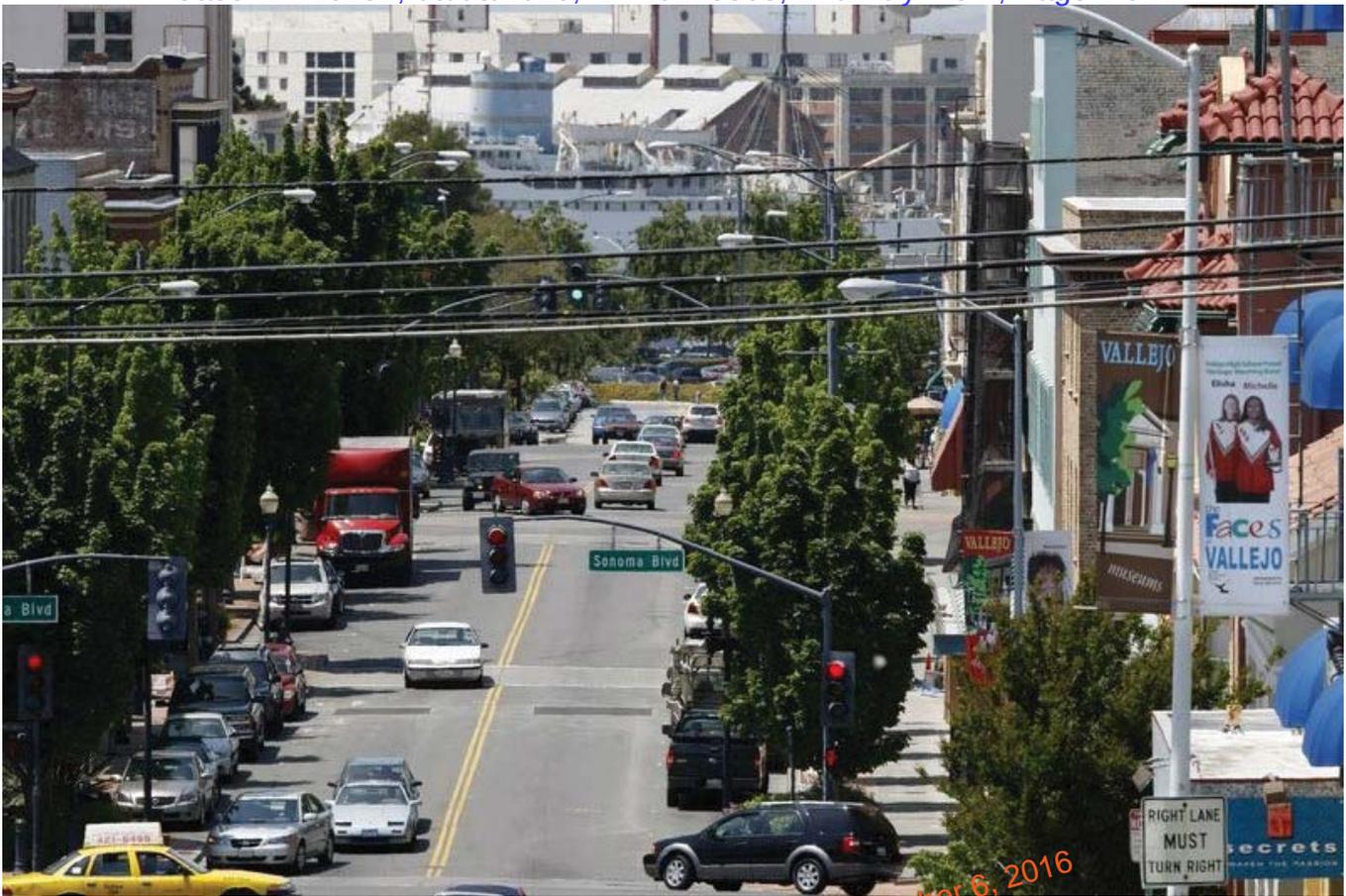
Bankrupt Vallejo, California, Approves Restructuring

by Alison Vekshin and Michael B. Marois

December 1, 2010 — 9:42 AM PST

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cited in Deocampo v. Potts, archived on September 6, 2016



■ Cars drive down Georgia Street in the old town section of Vallejo, California. Photographer: Erin Lubin/Bloomberg

The city council of Vallejo, California, approved a five-year plan to exit the state's largest municipal bankruptcy since Orange County sought court protection in 1994.

Vallejo, which slashed its police and fire departments by more than 40 percent after running out of money, aims to pay down \$195 million in unfunded pension obligations, trim retiree health-care premiums, curb benefits for new workers and create a reserve fund. The budget blueprint approved unanimously yesterday will be a component of an exit plan to be presented to a U.S. bankruptcy judge.

“Is it a perfect plan? No,” council member Marti Brown said. “This is a road map. The roads on the map look like mostly tertiary roads, and we’re going to need four-wheel drive for some time. But it’s a map, and it’s more of a map than I think we’ve had in a while.”

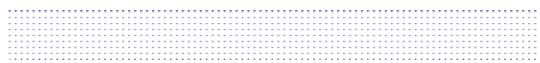
The one-time U.S. Navy town of about 120,000 on San Francisco Bay sought protection from creditors under Chapter 9 of U.S. bankruptcy law in May 2008 after the recession eroded tax revenue and unions rejected wage cuts. Chapter 9 allows municipalities to reorganize debt rather than liquidate.

“This five-year plan looks out and says basically we will be treading water for five years,” Phil Batchelor, the interim city manager, told the council.

Unsecured Creditors

The plan allocates \$5 million for unsecured creditor claims, which include those held by employees and retirees. About \$50 million of debt is supported by the city’s general fund, its main account. Under the five-year plan, Vallejo would defer principal payments until 2013, then resume paying bond debt at about \$1 million a year.

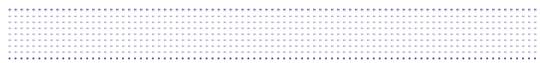
Most of the outstanding principal, about \$46 million, is held by Union Bank NA, according to Susan Mayer, the city’s assistant finance director. The bank is a unit of San Francisco-based UnionBanCal Corp., part of Mitsubishi UFJ Financial Group Inc., Japan’s biggest listed bank. Bank spokeswoman Jane Yedinak didn’t immediately return a call.



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“The plan doesn’t have a lot of money for general unsecured creditors, and the general unsecured creditors are owed many millions of dollars,” Marc Levinson, a lawyer with Sacramento-based Orrick, Herrington & Sutcliffe LLP who’s drafting the exit plan, said in an interview. “Every dollar that goes to pay creditors is a dollar that doesn’t go to fix a pothole or to help hire another police officer.”

Orange County

Cities and towns rarely go bankrupt. Vallejo’s filing was the biggest in California since Orange County in 1994, then the largest in U.S. history. Orange County, whose population of 3 million makes it the sixth-largest county in the U.S., lost \$1.7 billion from a \$7.6 billion investment pool when bets on interest rates soured.

“People are hopeful that we’re taking charge of what’s been happening in Vallejo,” council member Michael Wilson, 41, said in a telephone interview before the meeting. “I would hope that over the next five years that we might be able to increase the service levels we provide to our community, especially with our police department, fire department, the money we could put into roads.”

A September 2034 bond the city issued in 2003 traded at 93 cents on the dollar Nov. 18 to yield an average 6.74 percent, according to Municipal Securities Rulemaking Board data compiled by Bloomberg.

Fewer Police

The city expects revenue of \$65.5 million next fiscal year, and \$68.2 million by 2015. Spending is projected to be \$66.4 million next year, rising to \$67.6 million in the same period.

Vallejo shrank its police force to 90 officers this year from 155 in 2003, a decline of 42 percent that eliminated most crime-prevention programs, Batchelor said.

“The quality-of-life crimes are the things that we don’t have the manpower to deal with,” Mat Mustard, a detective and president of the Vallejo Police Officer’s Association, said in a telephone interview. “To be honest with you, that’s horrible.”

The plan calls for the city to spread out its unfunded pension costs over 30 years. It would do so by paying a higher amount than what it owes for the first three years and keeping payments for the next three decades flat.

“They did what they had to do to slice things down to an affordable level,” Jon Schotz, co-founder and chief investment officer at Saybrook Capital LLC in Santa Monica, California, who oversees more than \$300 million in municipal bonds, said in a Nov. 19 telephone interview.

Shuttered Shipyard

“Every stakeholder or everyone that has a claim or is impacted by this is going to yell, scream and stomp to try to get their way, and we’ll see how strong the city’s spine is when it comes to defending this plan,” Schotz said.

The fiscal road map will be included in a proposal the city must submit to U.S. Bankruptcy Judge Michael McManus in Sacramento by Jan. 18.

In 1996, the U.S. Navy shut down its Mare Island shipyard, the service’s oldest West Coast base, dealing a blow to the city’s economy. Home prices in Solano County, which encompasses Vallejo, fell 26 percent in the year through March 2008, and sank a further 6.8 percent from December 2008 through September 2009, according to San Diego-based market researcher DataQuick Information Systems.

Before Vallejo, the last California municipality to seek protection from creditors was Desert Hot Springs in 2001. The city, about 110 miles (177 kilometers) east of Los Angeles, went bankrupt because of a legal judgment it couldn't pay.

The case is *In re City of Vallejo*, 08-26813, U.S. Bankruptcy Court, Eastern District of California (Sacramento).

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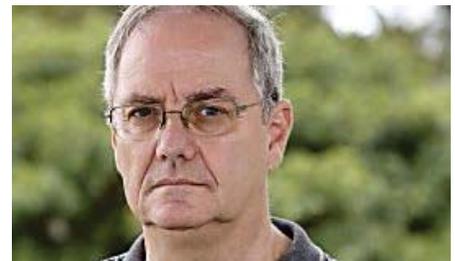
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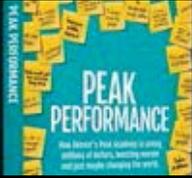
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GOVERNING DATA

Bankrupt Cities, Municipalities List and Map

Many local governments across the U.S. face steep budget deficits as they struggle to pay off debts accumulated over a number of years. As a last resort, a select few filed for bankruptcy.

Governing is tracking the issue, and will update this page as more municipalities seek bankruptcy protection.

A federal judge recently approved Detroit's plan to pay off about \$7 billion in debt. Detroit previously became the largest U.S. city ever to file for bankruptcy in 2013.

Overall bankrupt municipalities remain extremely rare. A [Governing analysis](#) estimated only one of every 1,668 eligible general-purpose local governments (0.06 percent) filed for bankruptcy protection from 2008 through 2012. Excluding filings later dismissed, only one of every 2,710 eligible localities (not all states permit governments to file for bankruptcy) filed since 2008.

The majority of filings have not been submitted by bankrupt cities, but rather lesser-known utility authorities and other narrowly-defined special districts throughout the country. In Omaha, Neb., more than a dozen sanitary districts have filed for bankruptcy, accounting for nearly a quarter of all Chapter 9 filings since 2010.

It's also important to note that only about half of states outline laws authorizing municipal bankruptcy. View our [bankruptcy laws map](#) for each state's policies.

List of Bankruptcy Filings Since January 1, 2010

All Municipal Bankruptcy Filings: 51

General-Purpose Local Government Bankruptcy Filings (9):

- City of Hillview, Ky.
- City of Detroit, Mich.
- City of San Bernardino, Calif.
- Town of Mammoth Lakes, Calif. (Dismissed)
- City of Stockton, Calif.
- Jefferson County, Ala.
- City of Harrisburg, Pa. (Dismissed)
- City of Central Falls, R.I.
- Boise County, Idaho (Dismissed)

LAST UPDATED: Aug. 21, 2015

Municipal Bankruptcies Map

The map below shows all municipalities filing for Chapter 9 bankruptcy protection since 2010, along with local governments voting to approve a bankruptcy filing.

Cities, towns and counties are shown in **red**. Utility authorities and other municipalities are displayed in **gray**. Click a marker to view details of each filing. Multiple municipalities have filed for bankruptcy in some cities, such as Omaha, Neb., so not all markers are visible without zooming in on the map.

Please note that some listed municipal bankruptcy filings have been dismissed, as indicated.





Detroit Bankruptcy

States without laws authorizing municipal bankruptcies often allow for different measures providing financial relief. In Michigan, seven cities and school districts have emergency managers, and another three are under consent agreements. View our [map and story](#) about the state's efforts to turn around the distressed municipalities.

Other Detroit Coverage:

[Detroit Files for Chapter 9 Bankruptcy](#)

[10 People Who Could Help Save Detroit](#)

[Detroit's Recovery Plan Increases Default Risks, Says Moody's](#)

cited in Deocampo, Potts, arranged on September 6, 2016

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SPEECH

Opening Remarks for the Chapter 9 and Alternatives for Distressed Municipalities and States Workshop

April 14, 2015

William C. Dudley, President and Chief Executive Officer

Remarks at the Chapter 9 and Alternatives for Distressed Municipalities and States Workshop, Federal Reserve Bank of New York, New York City As prepared for delivery

Good morning and welcome to the Federal Reserve Bank of New York. I am especially happy to welcome this group, with its focus on the finances of state and local governments. We at the New York Fed are committed to playing a role in ensuring the stability of this important sector. To this end, we supported the outstanding work of the Volcker-Ravitch state fiscal crisis taskforce. In addition, we conduct ongoing outreach activities with local officials and produce research on the subject of local fiscal conditions. We do these things because we recognize the critical role of state and local governments and their fiscal health to the overall well-being of the economy and its citizens.

In my remarks today I will touch on the importance of the state and local public sector for the economy, its fiscal health and the need for proactive efforts to address the emerging fiscal stresses in the sector. As always, what I have to say represents my own views and not necessarily those of the Federal Open Market Committee or the Federal Reserve System.¹

The importance of state and local governments manifests itself in different ways, which are really different sides of the same coin. First, the sector directly produces a very large amount of economic activity. In 2014, state and local governments generated output valued at about \$2 trillion. This represents over 11 percent of total U.S. GDP and is more than 50 percent higher than the federal government's contribution. And, even after years of retrenchment following the financial crisis, state and local governments employ almost 20 million individuals—nearly one in seven American workers. Clearly, a successful and stable state and local government sector is a vital contributor to overall output and employment.

On the other side of the coin, we find the real effects of this activity: the provision of public safety, education, and health; as well as water, sewer and transportation services. These are the core public services that our citizens need, and which are absolutely fundamental to support private sector economic activity. So, as a central banker, I recognize the essential role that state and local governments play in the economy. Without successful state and local governments, the Fed's dual mandate of maximum sustainable employment with stable prices would be much more difficult to attain.

A final important dimension of the state and local sector—and the one that is perhaps most obviously front and center for today's discussion—is its debt. The municipal bond market is very large, with outstanding issues totaling over \$3.5 trillion. Now this large dollar amount in and of itself is not a problem. When governments invest in long-lived capital goods like water and sewer systems, as well as roads and bridges, it makes sense to finance these assets with debt. Debt financing ensures that future residents, who benefit from the services these investments produce, are also required to help pay for them. This principle supports the efficient provision of these long-lived assets.

Unfortunately, as the Volcker-Ravitch task force emphasized, issuing debt to finance infrastructure investments is not the only reason that states and localities borrow from the future. Governments have also borrowed to cover operating deficits, and this kind of debt has a very different character than debt

issued to finance infrastructure. Let me take a moment to explain what I mean and why I think this distinction is important.

When a jurisdiction borrows to invest in infrastructure, the cost of the debt to local residents—and those considering locating in the jurisdiction—is offset by the value of the services that the infrastructure provides. This tradeoff is part of the “fiscal surplus” that a jurisdiction offers: the value of the services minus the tax price that residents have to pay. A well-run capital budget will match these costs and benefits over the life of each project to ensure that the jurisdiction remains attractive to current and future residents. That is, both current and future residents are willing to pay the tax cost of servicing this debt because of the benefits that they receive from the services supported by that debt.

Now consider a different scenario—one in which the jurisdiction is borrowing to pay for a current year operating deficit. This kind of borrowing is inconsistent with running a balanced budget, which is in principle required in all but one state. But, as people in this room are well aware, states and localities can often find ways to “get around” balanced budget requirements if they are determined to do so. One example of this was New York City in the 1960s and early 1970s, where annual operating deficits were repeatedly financed with short-term debt, until the fiscal crisis exploded in 1974-1975.

The key distinction between these two types of borrowing is that in the former case an asset is producing services that help to offset the cost of the debt, but this is not so in the latter case. Indeed, using debt to finance current operating deficits is equivalent to asking *future* taxpayers to help finance *today's* public services. When this occurs, it means that the fiscal surplus offered by the jurisdiction in the future will be diminished by the value of these additional debts. That is, in the future, the cost of servicing this debt will drive a wedge between the taxes paid by households and businesses, and the current services provided to them. Of course, within the U.S., households and businesses can react to this wedge by choosing to locate elsewhere. And because the tax base of any jurisdiction depends on the level of local economic activity, this out-migration can lead to ever-higher tax rates or ever-diminished services for those who still remain—typically those with fewer opportunities or resources to relocate.

Today, there are several ways that states and localities can borrow to cover operating deficits; and the relatively slow economic growth since the financial crisis has increased pressure on their budgets, making such measures more appealing. One mechanism for doing this is to treat borrowed funds as revenues that can be used to balance the budget. Another form is asset sales. Here the jurisdiction receives cash today in exchange for a reduction in its future assets—sometimes physical like an office building, sometimes financial like tobacco settlement funds—and an increase in its future costs. Finally, and perhaps most importantly, is the practice of pushing the cost of current employment services into the future.

Let me elaborate on this last method. Here I'm referring to the underfunding of public employee pensions and other post-retirement benefits for current employees. Both of these practices add to the indebtedness of the state and local governments with the employees playing the role of creditors. To be clear, while unfunded promises to cover retiree health insurance are very common, unfunded pension liabilities are probably much larger in aggregate magnitude. Estimates of unfunded pension liabilities range up to several trillion dollars. While widespread, underfunding of public pensions is not universal. Many states have found ways to keep their public pensions reasonably well funded, demonstrating that pushing today's costs into the future is not an inevitable outcome of a democratic government.

Nonetheless, we have seen evidence that high debt levels combined with diminished services provision can, in cases such as Detroit and Stockton, make the public sector finances unsustainable. At a certain point, the debt service burden clashes with maintaining a sufficient ongoing provision of services to forestall people from voting with their feet. This may occur well before the point that debt service capacity appears to be fully exhausted. In other words, the prioritization of cash flows to debt service may not be sustainable beyond a certain point. While these particular bankruptcy filings have captured a considerable amount of attention, and rightly so, they may foreshadow more widespread problems than

what might be implied by current bond ratings. We need to focus our attention today on addressing the underlying issues before any problems grow to the point where bankruptcy becomes the only viable option. So, I am especially pleased to see that your agenda today focuses, in part, on helping cities and states avoid such levels of fiscal stress, where the risks of going past such a tipping point become significant.

In summary, state and local governments have enormous financial obligations, as well as critical service delivery responsibilities. Managing their liabilities in such a way as to ensure that these vital services continue to be provided, and citizens view that they are getting appropriate value in exchange for their taxes is a daunting challenge. I am happy to see such a distinguished group assembled here at the Bank to address this challenge. Good luck in your work and I look forward to learning of the results of today's discussions.

¹ Andrew Haughwout and Joseph Tracy assisted in preparing these remarks.

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Chapter 9 Bankruptcy

The City has started, what it hopes to be, the final step on the path to exit bankruptcy. A hearing to consider confirmation of "Third Amended Plan for the Adjustment of Debts of the City of San Bernardino" is set for 10 a.m. on Friday, October 14, 2016. Below you will find the documents filed with the U.S. Bankruptcy Court as of July 29, 2016.

Filed July 29, 2016

[Disclosure Statement \(143 pages\)](#)

[Notice of Confirmation Hearing \(12 pages\)](#)

[Notice of Materials Distributed \(43 pages\)](#)

Exhibits

- [Exhibit 1](#) - Plan for the Adjustment of Debts (76 pages)
- [Exhibit 2](#) - Resolution No. 2015-103 (Authorization to Implement Recovery Plan, File Chapter 9 Plan of Adjustment and Disclosure Statement) (13 pages)
- [Exhibit 3](#) - City's Long Term 20-Year Financial Model (5 pages)
- [Exhibit 4](#) - ADR Procedures (12 pages)
- [Exhibit 5](#) - BICEP Policy and the Reinsurance Contracts (95 pages)
- [Exhibit 6](#) - Chart Listing Lawsuits (9 pages)
- [Exhibit 6a](#) - Chart Listing Lawsuits Notice of BICEP (3 pages)
- [Exhibit 7](#) - Building Detail Report (City-Owned Properties) (182 pages)
- [Exhibit 8](#) - Building Maintenance & Costs Reports - Building Detail (193 pages)
- [Exhibit 9](#) - Street Repairs Report (86 pages)
- [Exhibit 10](#) - Street Repairs Financial Plan (521 pages)
- [Exhibit 11](#) - Staff Report for the Five-Year Police Resources (20 pages)
- [Exhibit 12](#) - RDA Exhibit (7 pages)
- [Exhibit 13](#) - Long-Range Property Management Plan (317 pages)
- [Exhibit 14](#) - List of City-Owned Personal Property (as of June 2013) (100 pages)
- [Exhibit 15](#) - List of City Non-Fire Vehicles (14 pages)
- [Exhibit 16](#) - List of City-Owned Equipment (Excluding Fire Department Equipment) (6 pages)
- [Exhibit 17](#) - Cross Fund Report (dated as of February 29, 2016) (3 pages)
- [Exhibit 18](#) - Chart of City Restricted Funds (19 pages)
- [Exhibit 19](#) - Mediator's Order (22 pages)
- [Exhibit 20](#) - Resolution No. 2015-217 (IUOE - General Unit Employees Bargaining Unit) (10 pages)
- [Exhibit 21](#) - Resolution No. 2015-242 (Management/Confidential Association) (6 pages)
- [Exhibit 22](#) - Resolution No. 2016-12 (Settlement with SBCPF and Fire Safety Bargaining Unit) (28 pages)
- [Exhibit 23](#) - Resolution No. 2015-255 (Police Management Association) (11 pages)
- [Exhibit 24](#) - MOU for the Police Safety Bargaining Unit for the Period of July 1, 2015 to June 30, 2020 (57 pages)
- [Exhibit 25](#) - Resolution No. 2015-261 (Middle Management Bargaining Unit) (12 pages)
- [Exhibit 26](#) - Settlement with Pension Obligation Bond Creditors (10 pages)
- [Exhibit 27](#) - Settlement Agreement with Retirees (7 pages)
- [Exhibit 28](#) - Resolution No. 2016-19 (Authorizing City Manager To Take All Necessary Actions to Comply with LAFCO Conditions for Annexation into San Bernardino County Fire District) (10 pages)
- [Exhibit 29](#) - Resolution No. 2016-10 (Approving 10 Year Agreement with Burrtec) (130 pages)
- [Exhibit 30](#) - Agreement with Burrtec Waste Industries, Inc. (134 pages)
- [Exhibit 31](#) - Resolution No. 2016-26 (Authorizing The Transfer Of Certain Real Property Assets From The Successor Agency To The Redevelopment Agency Of The City Of San Bernardino To The City Of San Bernardino) (11 pages)
- [Exhibit 32](#) - Resolution No. 2015-173 (Approving Settlement Agreement With The San Bernardino Police Officers Association) (13 pages)
- [Exhibit 33](#) - Resolution No. 2016-68 - Adopting A Transition and Release Agreement Between the City of San Bernardino and the San Bernardino Fire Management

Association (25 pages)

- [Exhibit 34](#) - Resolution No. 2016-83 - Authorizing Execution of Settlement Agreement Between the City of San Bernardino and the Public Agency Retirement System ("PARS") Participants (28 pages)
- [Exhibit 35](#) - Documents Evidencing The Treatment Under The Plan Of Class 1 (1996 Refunding Bond Claims) (119 pages)
- [Exhibit 36](#) - Documents Evidencing The Treatment Under The Plan Of Class 2 (1999 Refunding Certificates of Participation Claims) (27 pages)
- [Exhibit 37](#) - Schedule of Executory Contracts and Unexpired Leases To Be Assumed (12 pages)
- [Exhibit 38](#) - Schedule of Executory Contracts and Unexpired Leases To Be Assumed and Assigned (4 pages)
- [Exhibit 39](#) - Schedule of Executory Contracts and Unexpired Leases To Be Rejected (7 pages)

Summary of the Recovery Plan Implementation Efforts (as of May 18, 2016)

[Click here for a PDF version](#)

The Recovery Plan rests on four key areas of change and improvement by the City, all aimed at improving the fiscal position of the organization. These four key areas are as follows:

- a. Efficiency improvements – largely regionalizing or contracting for services
- b. Debt and Other Post-Employment Benefits (OPEB) restructuring
- c. New revenue and tax increases / extensions
- d. Organizational improvements

Subsequent to adoption of the Recovery Plan the City has made diligent efforts to implement components of the Plan. The table below provides a summary of where the City currently stands with respect to the major elements of the Plan. This Table is based on Table 1 – Cost Savings and Revenue Enhancement Actions and Estimates (General Fund) in the May 2015 Recovery Plan. The table shows for each opportunity area the estimated economic benefit, a summary of actions taken towards implementation and the currently anticipated economic benefit either realized or planned. Of note is that implementation is complete or underway on all actions targeted for 2015. In addition, implementation of several elements targeted for 2016 are already underway.

Update on Major Cost Saving and Revenue Enhancement Actions and Estimates (General Fund)

Cost Savings and Revenue Opportunities	Estimated Ongoing (Annual) Savings unless Status otherwise noted	
Efficiency Improvements		
Regionalize or Contract fire and EMS services	\$7,000,000 – 10,000,000	Implementing – Council voted to annex into San Bernardino County Fire District. Local Agency Formation Commission (LAFCO) assessed and approved annexation, subject to conditions of approval, which included an annual parcel tax of \$148.32, and protest hearing/votes. Less than 5% of landowners and registered voters submitted protest votes, moving the annexation forward to the implementation stage. Based on LAFCO and City estimates net economic benefit to the City ranges from \$7.4 to \$12.0 million annually of which approximately \$7.4 million is expected to come from landowners new parcel tax contribution. The higher savings estimate includes resumption of payments for facilities maintenance, equipment replacement and overhead support eliminated from City budget.
Contract business license administration	\$650,000 to \$900,000	Pending - Organizational analysis recommending moving function to Finance completed. RFP in development. Will be complete in 2016.
Contract fleet maintenance	\$400,000	Pending - 2016
Contract soccer complex management and maintenance	\$240,000 to \$320,000	Completed. The City has contracted for the operation of the complex by a private vendor effective October 1, 2015. Annual savings are estimated at \$300,000. Private vendor has begun a \$1M renovation and established a new National Premiere Soccer League team.
Contract custodial maintenance	\$150,000	Pending - 2016

cited in DeepDive reports, archived on September 6, 2016

Contract graffiti abatement	\$132,600	Pending - 2016
Implement other efficiency improvements	\$1,000,000 or more	Completed. Right of way maintenance and street-sweeping are being implemented with solid waste contracting.
Health care savings (retirees)	Up to \$60 million in total savings	Completed. Actuarial report is being finalized.
Debt Restructuring		
General Secured Bond Obligations	\$487,450	Implementing - Agreement has been reached. Documentation is underway.
General Unsecured Bond Obligations – Pension Obligation Bonds	Up to all but 1% of obligation or approximately \$95 million	Implementing - City has reached agreement with creditor. Obligation reduced from \$95.8 million to \$50.7 million. Annual payments reduced from \$3.3 to \$4.7M per year to \$1.0 to \$2.5M per year
Restructuring of other creditor obligations	Up to \$4,300,000 in total savings	Pending - Tentative agreement reached with holder of \$527,490 lease purchase obligation
New Fee Revenue and Tax Adjustments		
Seek reauthorization of the Measure Z sales tax in 2021 (requires voter approval)	\$8,300,000	Pending – 2021. Police resources plan for rebuilding police capacity and improving public safety adopted by City Council
Perform a transient occupancy tax (TOT) audit	\$200,000	Pending - 2016
Collect new waste management franchise fee (once service has been contracted)	\$5,000,000	Completed. Council approved a contract with Burrtec. Service began April 1, 2016. Paid a \$5M one-time fee plus will increase annual franchise payment to \$5M from \$2.2M. Sale of equipment nets City \$12M.
Increase waste management franchise fee	\$2,800,000	Completed. Will increase annual franchise payment to \$5M from \$2.2M.
Implement water/sewer utilities franchise fee	\$1,050,000	Completed. New agreement adopted by City and Water Department.
Update master fees and charges schedule	\$200,000	Pending - 2016
Implement program for collecting street sweeping parking violations	\$200,000	Pending. Will be done in conjunction with move to private vendor – 2016
Implement compensation adjustments for all City employees	\$400,000 and growing (2% adjustment for non-safety employees)	Completed. Agreements have been reached with all employee bargaining groups.
Provide resources to Charter Task Force and schedule election to consider revised Charter	\$150,000 (one time cost)	Pending. A new draft charter is under development and has been reviewed at public meetings. Charter Committee to provide recommendations to Council in May and anticipate November 2016 election. Costs have been less than estimated
Organizational Improvements		
	Ongoing Costs	Implementation Schedule
Implement strategic planning initiatives	\$1,000,000 to \$3,000,000 depending on timing and ability to fund	Pending. Have completed Police Five Year Resources Plan which calls for additional investment of from \$6.7M to \$13.3M in annual funding over next five years starting in July 2016. Current model can only fund a portion of total needed
Rebuild corporate support functions	\$100,000 with a one-time cost of \$500,000	Pending. Organizational reviews in process and have preliminary observations and recommendations for Finance, Human Resources and Information Technology

The third amended Disclosure Statement, Plan for the Adjustment of Debts and revised/new exhibits were filed with the bankruptcy court on July 29, 2016. Please see below for links to the latest versions.

Disclosure Statement(s) and Plan for the Adjustment(s) of Debts

The bankruptcy process includes multiple amended versions of the Disclosure Statement and Plan for the Adjustment of Debts. As settlements are reached and adjustments are made to the City's service models, financial projections are updated and must be reflected in the corresponding document(s).

Below you will find links to each of the previous versions submitted to the Bankruptcy Court for the Central District of California.

[Filed July 29, 2016](#)

The latest version can be found at the top of this webpage.

[Filed May 27, 2016](#)

[Disclosure Statement \(143 pages\)](#)

[Plan for the Adjustment of Debts](#) - Exhibit 1 - revised (78 pages)

[Revised Exhibits 3, 6, 6A and new Exhibits 33 and 34](#) (80 pages)

Exhibit 3 (revised) - City's Revised Long Term 20-Year Financial Model pg. 3

- Exhibit 6 (revised) - Chart Listing Lawsuits pg. 8
- Exhibit 6A (new) - Chart Listing Lawsuits Noticed to BICEP pg. 16
- Exhibit 33 (new) - Resolution No. 2016-68 - Adopting A Transition and Release Agreement Between the City of San Bernardino and the San Bernardino Fire Management Association pg. 19
- Exhibit 34 (new) - Resolution No. 2016-83 - Authorizing Execution of Settlement Agreement Between the City of San Bernardino and the Public Agency Retirement System ("PARS") Participants pg. 44

Remaining exhibits can be found below under second amended filing on March 30, 2016.

[Filed March 30, 2016 \(second amended versions\)](#)

[Disclosure Statement](#)

[Plan for the Adjustment of Debts](#) - Appendix Ex. 1

[Appendix Ex. 2 - 6](#)

- Exhibit 2 Resolution No. 2015-103 (Authorization to Implement Recovery Plan, File Chapter 9 Plan of Adjustment and Disclosure Statement) pg. 5
- Exhibit 3 City's Long Term 20-Year Financial Model pg. 18 (**updated in third amended filing on May 27, 2016**)
- Exhibit 4 ADR Procedures pg. 23
- Exhibit 5 BICEP Policy and the Reinsurance Contracts pg. 35
- Exhibit 6 Chart Listing Lawsuits pg. 130 (**updated in third amended filing on May 27, 2016**)

[Appendix Ex. 7](#)

- Exhibit 7 Building Detail Report (City-Owned Properties)

[Appendix Ex. 8](#)

- Exhibit 8 Building Maintenance & Costs Reports - Building Detail

[Appendix Ex. 9-12](#)

- Exhibit 9 Street Repairs Report pg. 512
- Exhibit 10 Street Repairs Financial Plan pg. 598
- Exhibit 11 Staff Report for the Five-Year Police Resources Plan pg. 1119
- Exhibit 12 RDA Exhibit pg. 1139

[Appendix Ex. 13](#)

- Exhibit 13 Long-Range Property Management Plan

[Appendix Ex. 14-23](#)

- Exhibit 14 List of City-Owned Personal Property (as of June 2013) pg. 1463
- Exhibit 15 List of City Non-Fire Vehicles pg.1563
- Exhibit 16 List of City-Owned Equipment (Excluding Fire Department Equipment) pg. 1577
- Exhibit 17 Cross Fund Report (dated as of February 29, 2016) pg. 1583
- Exhibit 18 Chart of City Restricted Funds pg. 1586
- Exhibit 19 Mediator's Order pg. 1605
- Exhibit 20 Resolution No. 2015-217 (IUOE - General Unit Employees Bargaining Unit) pg. 1627
- Exhibit 21 Resolution No. 2015-242 (Management/Confidential Association) pg. 1637
- Exhibit 22 Resolution No. 2016-12 (Settlement with SBCPF and Fire Safety Bargaining Unit) pg. 1643
- Exhibit 23 Resolution No. 2015-255 (Police Management Association) pg. 1671

[Appendix Ex. 24](#)

- Exhibit 24 MOU for the Police Safety Bargaining Unit for the Period of July 1, 2015 to June 30, 2020

[Appendix Ex. 25-29](#)

- Exhibit 25 Resolution No. 2015-261 (Middle Management Bargaining Unit) pg. 1710
- Exhibit 26 Settlement with Pension Obligation Bond Creditors pg. 1723
- Exhibit 27 Settlement Agreement with Retirees pg. 1732
- Exhibit 28 Resolution No. 2016-19 (Authorizing City Manager To Take All Necessary Actions to Comply with LAFCO Conditions for Annexation into San Bernardino County Fire District) pg. 1739
- Exhibit 29 Resolution No. 2016-10 (Approving 10 Year Agreement with Burrtec) pg. 1749

cited in Deocampo v. Pines, archived on September 6, 2016

[Appendix Ex. 30](#)

- [Exhibit 30 Agreement with Burrtec Waste Industries, Inc.](#)

[Appendix Ex. 31-32](#)

- [Exhibit 31 Resolution No. 2016-26 \(Authorizing The Transfer Of Certain Real](#)
- [Property Assets From The Successor Agency To The Redevelopment](#)
- [Agency Of The City Of San Bernardino To The City Of San Bernardino\) pg. 2013](#)
- [Exhibit 32 Resolution No. 2015-173 \(Approving Settlement Agreement With The San](#)
- [Bernardino Police Officers Association\) pg. 2024](#)

[Solicitation motion](#)

[Filed May 29, 2015](#)

[Disclosure Statement with Respect to the Plan for the Adjustment of Debts of the City of San Bernardino including Exhibits \(286 pages-25MB file; may take several minutes to download\) 05/29/15](#)

[Plan for the Adjustment of Debts of the City of San Bernardino \(86 pages\) 05/29/15](#)

[Recovery Plan in support of Plan of Adjustment \(integrated into the Disclosure Statement in March 30, 2016 filing as requested by Judge Jury\)](#)

[Revised Recovery Plan as submitted to the bankruptcy court on 11/23/15](#)

[Recovery Plan in Support of Plan of Adjustment 05/29/15 \(as adopted by Mayor and Common Council on 05/18/15 - with final corrections and clarifications - and filed with court 05/29/15](#)

[Recovery Plan summary presentation to Common Council \(60 pages\) 05/18/15](#)

[Recovery Plan supporting the Plan of Adjustment \(172 pages\) PDF 05/14/15](#)

[Plan of Adjustment development process presentation to Common Council \(25 pages\) 01/05/2015](#)

[Strategic Plan](#)

[Draft Strategic Plan submitted with recovery plan in support of the plan of adjustment \(19 pages\)](#)

[Strategic planning process recap submitted with recovery plan in support of the plan of adjustment \(54 pages\)](#)

[Strategic Planning Workshop video recording 04/24/2015](#)

[Community Engagement Roadshow Videos February 2015](#)

[Strategic Planning process presentation to Common Council 01/20/2015](#)

[Pendency Plan](#)

[Bankruptcy Update & Public Input Session 10/14/2013](#)

[Pendency Plan 11/27/12](#)

[Pendency Plan 11/26/12](#)

[Pendency Plan Staff Report 11/19/12](#)

[Pendency Plan 11/19/12](#)

[Pre-Pendency Plan Adopted](#)

[Fire Department Pre-Pendency Plan adopted 10/01/12](#)

[Councilwoman Wendy McCammack's 9 Point Plan 09/05/2012](#)

[City Pre-Pendency Plan 08/29/2012](#)

[Pre-Pendency Plan Adjustments Presented to MCC](#)

[Councilman Chas Kelley's Alternative Fire Department Plan 09/05/2012](#)

[Councilwoman Wendy McCammack's 9 Point Adjustment Plan 09/17/12](#)

Bankruptcy Court Documents, Claims and Noticing Agent

The Bankruptcy Court appointed Rust Omni as the official claims and noticing agent in its bankruptcy case. The City makes additional information about its bankruptcy case available at [Rust Omni's website](#), which was set up for the City's case. Important documents that have been filed in the City's bankruptcy case are available under the "[Court Docket](#)" tab on the Rust Omni website.

Mayor and Common Council Meetings - Public Session Bankruptcy Updates or Supporting Documentation

[Bankruptcy update presentation 07/18/16](#)

[Bankruptcy update presentation 06/20/16](#)

[Council meeting presentation tax transfer item 02/29/16 \(13 pages\)](#)

[Bankruptcy update presentation 02/16/16 \(8 pages\)](#)

[Bankruptcy update presentation 12/7/15](#)

[2012-205-Resolution Declaring a Fiscal Emergency](#)

[2012-206-Resolution Authorizing the Filing of a Petition Under Chapter 9 Bankruptcy](#)

Finance Reports

- [Annual Financial Report Year Ending June 30 2013 \(179 pages\)](#)
- [01/07/2013 City of San Bernardino Cash Flow Position](#)
- [11/29/2012 City of San Bernardino Cash Flow Position](#)
- [10/29/2012 City of San Bernardino Cash Flow Position](#)

- [10/08/2012 City of San Bernardino Cash Flow Position](#)
- [10/03/2012 Integrated Waste Management Revenue and Expenditure Analysis](#)
- [09/26/2012 City of San Bernardino Cash Flow Position](#)
- [09/17/2012 City of San Bernardino Cash Flow Position](#)
- [09/04/2012 City of San Bernardino Cash Flow Position](#)
- [07/24/2012 City of San Bernardino Cash Flow Position](#)
- [07/23/2012 Fiscal Emergency Operating Plan - July 2012 - September 2012](#)
- [07/18/2012 City of San Bernardino Cash Flow Position](#)
- [07/09/2012 City of San Bernardino Budgetary Analysis and Recommendations for Budget Stabilization](#)

Media Releases

- 05/04/16 [PARS settlement news release](#)
 - [PARS - Staff Report, Resolution and Agreement \(26 pages\)](#)
- 03/29/16 [Mayor and Common Council approve settlement with pension bondholders](#)
 - [POB settlement agreement](#)
- 02/23/16 [News release - City integrated waste services transfer to Burrtec Waste Industries effective April 1](#)
- 01/26/16 [News Release - City Council approves tentative global settlement agreement with San Bernardino City Professional Firefighters](#)
- [11/19/15 City to pursue refuse contract with Burrtec](#)
- [05/14/2015 SAN BERNARDINO RELEASES RECOVERY PLAN IN SUPPORT OF PLAN OF ADJUSTMENT](#)
- [Mayor and Common Council - Joint Regular Meeting Agenda and Agenda Packet \(includes Plan\)](#)
- [02/19/2013 City Manager's Budget Message](#)
- [10/29/2012 City's Deferral of CalPERS Payments](#)
- [08/30/2012 Presentation to Council of Pre-Pendency Plan](#)
- [08/01/2012 Bankruptcy Petition Filed](#)
- [07/24/2012 San Bernardino Fiscal Emergency Operating Plan](#)
- [07/18/2012 City of San Bernardino Financial Status Update](#)
- [07/12/2012 City of San Bernardino Chapter 9 Filing](#)
- [07/09/2012 Financial Situation](#)

Other

Refuse Services Documents

[News Release - Burrtec service begins April 1, 2016](#)

[Integrated Waste Management agreement presentation 01/25/16](#) to council

[Proposed Burrtec Integrated Waste Agreement 1/25/16 \(126 pages\)](#) as reflected in the Jan. 25 agenda packet.

[News release - City to pursue refuse contract with Burrtec - 11/19/15](#)

[Presentation document as shown at Nov. 16, 2015 Mayor and Common Council meeting](#)

[Refuse RFP Response Analysis and Recommendation \(71 pages\)](#) - Includes analysis, initial RFP, and bidder question/answers.

[09/17/2012 Review and Eval of the Draft Request for Proposals for Solid Waste, Collection and Disposal Services](#)

Fire Services Documents

[Fire Annexation FAQs](#)

[News Release - City Council approves tentative global settlement agreement with San Bernardino City Professional Firefighters 01/26/16](#)

[Fire and EMS delivery service recommendation presentation 08/24/15 \(41 pages\)](#)

[Citygate's Evaluation of Fire Proposals - August 2015 \(31 pages\)](#)

[Centerra Initial Proposal \(116 pages\)](#)

[Centerra Supplemental Proposal in response to Citygate \(42 pages\)](#)

[SB City Fire Initial Proposal \(4 pages\)](#)

[SB City Fire Supplemental Proposal in response to Citygate - part 1 \(2 pages\)](#)

[SB City Fire Supplemental Proposal in response to Citygate - part 2 \(3 pages\)](#)

[SB County Fire District Initial Proposal \(43 pages\)](#)

[SB County Supplemental Proposal in response to Citygate \(9 pages\)](#)

[Citygate Fire Svcs Deployment Study June 2014 - Volume 1 Executive Summary \(16 pages\)](#)

[Citygate Fire Svcs Deployment Study June 2014 - Volume 2 Technical Report \(121 pages\)](#)

[Citygate Fire Svcs Deployment Study June 2014 - Volume 3 Map Atlas \(37 pages\)](#)

[Fire Station Map - Regional \(1 page\)](#)

Questions

For general Chapter 9 Bankruptcy information, please visit the United States Courts and/or The State of California Legislative Analyst's Office (LAO) website. Links to both resources are available under External Links below.

If you have questions, concerns, comments or suggestions, please submit your request in writing by completing a SB Access Online service request form. [SB Access Online service request form](#)

External Links

[United States Bankruptcy Court, Central District of California](#)

cited in Dec 16, 2015 and 11/19/15 on September 6, 2016

USCourts.gov - [What Happens When Cities Go Bankrupt?](#)
[California Legislative Analyst's Office Bankruptcy Q&A](#)

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cited in Deocampo v. Potts, archived on September 6, 2016

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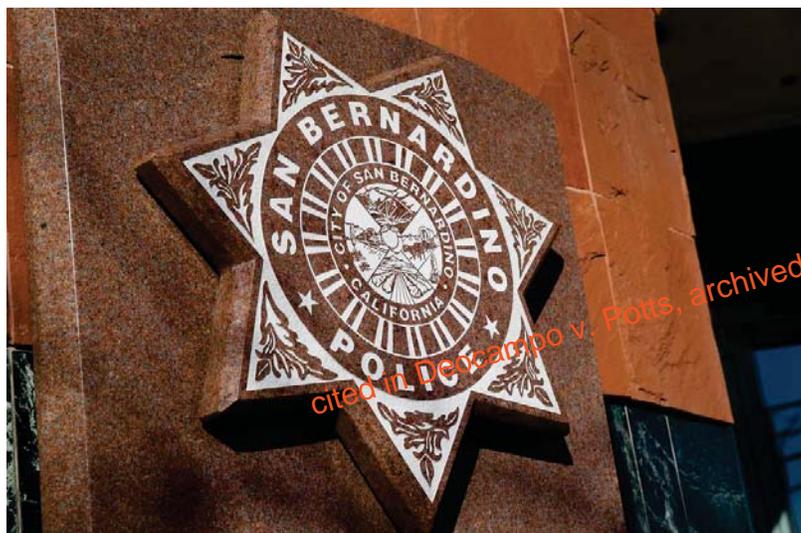
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<http://www.wsj.com/articles/san-bernardino-bankruptcy-plan-would-shield-police-from-claims-1461017965>

U.S.

San Bernardino Bankruptcy Plan Would Shield Police From Claims

Families who have sued the California city for brutality, excessive force object to the protection



cited in *DeVampo v. Potts*, archived on September 6, 2016

San Bernardino, Calif., has proposed that individual police officers shouldn't be held liable for claims the city is able to discharge during bankruptcy. *PHOTO: PATRICK T. FALLON/BLOOMBERG NEWS*

By **KATY STECH**

April 18, 2016 6:19 p.m. ET

The city of San Bernardino, Calif., wants to shield individual police officers from liability for settlements and pending lawsuits over alleged incidents of brutality and excessive force as it attempts to emerge from bankruptcy protection.

A clause outlining protections for city employees, including its 250-person police department, was buried in San Bernardino's latest plan to exit bankruptcy protection, which was filed last month.

The bankruptcy-court judge will consider this request, along with other aspects of the plan, in a hearing scheduled for April 27. The outcome of that hearing will help

determine how much longer San Bernardino will remain mired in bankruptcy protection, which it entered in August 2012 after a collapse in housing prices led to a shortfall in tax revenues.

Families who are suing the San Bernardino police department filed an objection with the bankruptcy court last week that said the current plan would unfairly “cloak the third-party actors responsible for the egregious conduct.” The city is facing 112 lawsuits that seek compensation for injuries and deaths allegedly caused by its police officers and employees, according to documents filed in U.S. Bankruptcy Court in Riverside, Calif. Some police officers were also named in lawsuits that were filed under civil-rights law.

Under the plan to exit bankruptcy, the city has proposed paying a fraction of the money promised under settlements. Lazaro Fernandez, a lawyer who represents several families involved in lawsuits, said in the filing that he wants the power to sue individual police officers for the amounts left unpaid by the city.

Mr. Fernandez’s clients include a family slated to get \$575,000 after suing police over an April 2007 shooting. Siblings of Cedric James May Jr., a 22-year-old man shot and killed by an officer in August 2009, are waiting on a \$200,000 payment.

San Bernardino officials didn’t respond to requests for comment. In court papers, they argue that if police officers became liable for payments due to the lawsuits, they could ask the city to make those payments. If the city was forced to make payments, that would hurt its finances.

“Exposing officers and employees to liability for harms committed while at work would expose officers and employees to often ruinous liability simply for doing their jobs,” the officials said in a March 30 filing. “The city will be forced to pay such claims one hundred cents on the dollar, which the city cannot afford to do.”

Bankrupt cities have the power to cut payments they have promised to Wall Street, retired workers and other creditors. But when it comes to claims involving past misconduct of city employees, the law is murky.

Judge Meredith Jury, who is presiding over the San Bernardino bankruptcy case, admits as much.

“There is no precedent that binds me in a decision on that,” Judge Jury said in December.

The issue is rarely raised in bankruptcy courtrooms. Fewer than three dozen cities, counties, towns or villages have successfully used the bankruptcy code to fix financial problems over the last three decades.

A judge overseeing Detroit's bankruptcy rejected a similar request to protect police officers. But it is unclear whether any other municipalities have been able to successfully shield their employees from claims as San Bernardino is attempting.

Unclear language in the plan approved for Vallejo, Calif., in 2011 has triggered several court battles.

Several Vallejo police officers who have been accused of using excessive force that killed Michael White in June 2010 contend that the city's bankruptcy shields them from judgments. A federal judge scheduled a jury trial for September.

A man awarded \$50,000 by a jury against two Vallejo police officers involved over a 2003 incident is scheduled to argue in May before the Ninth U.S. Circuit Court of Appeals that he can still collect the judgment despite the city's bankruptcy.

Write to Katy Stech at katherine.stech@wsj.com

cited in Deocampo v. Potts, archived on September 6, 2016

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