

# Bloomberg Businessweek

May 14, 2015

By Steven Church and James Nash

## San Bernadino to Replace Firefighters, Cut Bonds Under Proposal

Wildfire-prone San Bernardino will replace its firefighters unless their union agrees to cut costs to help the Southern California city exit bankruptcy.

The proposal, made public Thursday as part of a plan to emerge from court protection, is among the most aggressive threats aimed at public employees by a city trying to balance its budget.

“We would hope that the closer we get to that option, that they would be willing to come to the table,” said Gary Saenz, the elected attorney for the city of 213,000 about 60 miles (97 kilometers) east of Los Angeles.

Since filing bankruptcy in 2012, the city has imposed cuts worth \$26 million a year on its labor unions. To make further cuts that would be permanent, it must win approval of the debt-cutting proposal, known as a plan of adjustment. The plan made public Thursday also calls for saving about \$4 million annually by paying investors

who hold pension obligation bonds about 1 percent of what they are owed.

General unsecured creditors would get back 1 percent.

Under the plan, the city would also cut retiree health care benefits and contract for ambulance services, graffiti removal and park maintenance. It would ask voters to extend a 0.25-cent sales tax increase they approved in 2006.

San Bernardino may ask voters in November to rescind part of the city charter that makes it difficult to negotiate wage cuts with police and firefighters. Voters rejected



Clark Hill attorney **Robert D. Gordon**

a similar ballot measure last year.

San Bernardino cut deals with its smaller unions and California Public Employees' Retirement System while firefighters walked out of talks a few months ago, Saenz said.

### Fire Danger

The city's location at the foot of the San Bernardino Mountains, where fires often rage during dry and hot summers, makes fire protection a critical consideration. City officials are expecting to receive at least one detailed proposal from a fire agency

*continued on page 2*

*continued from page 1*

seeking to take over for the local department, Saenz said.

David Goodrich, a firefighter union attorney, didn't immediately return a call seeking comment on the proposal.

The city's stance toward firefighters is tougher than that taken by Detroit in its

next third averaged \$166,000; and the others got \$130,000 on average.

### **Temporary Agreement**

This year, San Bernardino won permission from U.S. Bankruptcy Judge Meredith Jury to cancel its contract with the firefighters union.

considered replacing the police department before deciding the initiative would cost too much, Saenz said.

"The city has had a long and difficult time in bankruptcy court," said Matt Fabian, managing director of Concord, Massachusetts-based Municipal Market Advisors. "Its experience shows that bankruptcy is not at all an easy solution.

The case is *In re San Bernardino, 12-bk-28006*, U.S. Bankruptcy Court, Central District of California (Riverside).

---

## **The city's stance toward firefighters is tougher than that taken by Detroit in its bankruptcy-exit plan, said Robert Gordon, an attorney who represented that city's pension system in the municipal bankruptcy.**

---

bankruptcy-exit plan, said Robert Gordon, an attorney who represented that city's pension system in the municipal bankruptcy.

A city study of the 120 highest-paid firefighters in San Bernardino found the average annual salary for the top third was \$190,000; the

The department is now working under a temporary pact that saves the city money, Saenz said.

The debt-cutting plan must be sent to creditors for a vote before the judge decides whether to approve it.

The city, now nearing a deal with its police union, had

**Robert D. Gordon** leads Clark Hill's Corporate Restructuring & Bankruptcy Practice Group. Robert focuses his practice in the areas of corporate reorganization, bankruptcy and insolvency-related matters, debtor and creditor rights, workouts, and related commercial litigation. **Contact him via phone: (248) 988-5882 or email: [rgordon@clarkhill.com](mailto:rgordon@clarkhill.com).**

---

CLARK HILL

---

[www.clarkhill.com](http://www.clarkhill.com)