

1 PAUL R. GLASSMAN (State Bar No. 76536)  
FRED NEUFELD (State Bar No. 150759)  
2 MARIANNE S. MORTIMER (State Bar No. 296193)  
KATHLEEN D. DeVANEY (State Bar No. 156444)  
3 STRADLING YOCCA CARLSON & RAUTH  
A Professional Corporation  
4 100 Wilshire Blvd., 4<sup>th</sup> Floor  
Santa Monica, CA 90401  
5 Telephone: (424) 214-7000  
Facsimile: (424) 214-7010  
6 E-mail: pglassman@sycr.com  
fneufeld@sycr.com  
7 mmortimer@sycr.com  
kdevaney@sycr.com

8 GARY D. SAENZ (State Bar No. 79539)  
9 CITY ATTORNEY  
300 North "D" STREET, Sixth Floor  
10 San Bernardino, CA 92418  
Telephone: (909) 384-5355  
11 Facsimile: (909) 384-5238  
E-mail: saenz\_ga@sbcity.org  
12 Attorneys for Debtor  
13 City of San Bernardino

14 **UNITED STATES BANKRUPTCY COURT**  
15 **CENTRAL DISTRICT OF CALIFORNIA**  
16 **RIVERSIDE DIVISION**

17 In re  
18 CITY OF SAN BERNARDINO,  
19 CALIFORNIA,

20 Debtor.

Case No. 6:12-bk-28006-MJ

Chapter 9

**THIRD AMENDED PLAN FOR THE  
ADJUSTMENT OF DEBTS OF THE  
CITY OF SAN BERNARDINO,  
CALIFORNIA (JULY 29, 2016)**

Plan Confirmation Hearing

Date: October 14, 2016  
Time: 10:00 a.m.  
Place: Courtroom 301  
3420 Twelfth Street  
Riverside, CA 92501-3819

**TABLE OF CONTENTS**

1	I.	RULES OF INTERPRETATION; DEFINITIONS; COMPUTATION OF TIME.....	1
2	A.	Rules of Interpretation. ....	1
3	B.	Definitions.....	2
4	C.	Computation of Time.....	17
5	II.	TREATMENT OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL CLAIMS.....	17
6	A.	Treatment of Administrative Claims. ....	17
7	B.	Deadline for the Filing and Assertion of Administrative Claims. ....	17
8	C.	Treatment of Professional Claims.....	17
9	D.	Priority Claims in Chapter 9. ....	18
10	III.	DESIGNATION OF CLASSES OF CLAIMS.....	18
11	IV.	TREATMENT OF CLAIMS.....	19
12	A.	Class 1 – 1996 Refunding Bonds Claims.....	19
13	B.	Class 2 – 1999 Refunding Certificates of Participation Claims.....	19
14	C.	Class 3 – Secured Claims: CIEDB Harriman Project Claims.....	21
15	D.	Class 4 – Secured Claims: CIEDB Pavement Project Claims.....	21
16	E.	Class 5 – Secured Claims: Police Station AC Financing Claims.....	21
17	F.	Class 6 – Secured Claims: Burgess Claims.....	22
18	G.	Class 7 – Claims on Restricted Revenue Bond and Note Payable Obligations.....	22
19	H.	Class 8 – CalPERS Claims.....	23
20	I.	Class 9 – PARS Claims.....	23
21	J.	Class 10 – Consenting Union Claims.....	24
22	K.	Class 11 – Retiree Health Benefit Claims.....	25
23	L.	Class 12 – POB Claims.....	26
24	M.	Class 13 – General Unsecured Claims.....	26
25	N.	Class 14 – Convenience Class Claims.....	27
26	V.	ACCEPTANCE OR REJECTION; CRAMDOWN.....	27
27	A.	Voting of Claims.....	27
28	VI.	TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES.....	27
29	A.	Assumption of Executory Contracts and Unexpired Leases.....	27
30	B.	Cure Payments.....	28
31	C.	Rejection of Executory Contracts and Unexpired Leases.....	28
32	D.	Claims Arising From Rejection.....	29
33	E.	Modifications to Assumption, Assignment or Rejection of Executory Contracts and Unexpired Leases.....	29
34	VII.	EXECUTION AND IMPLEMENTATION OF THE PLAN.....	29
35	A.	In General.....	29
36	B.	Means for Implementation of the Plan.....	30
37	C.	Insurance.....	49
38	D.	Continued Operations.....	51
39	VIII.	RETENTION OF THE CITY’S RIGHTS OF ACTION.....	51
40	IX.	DISTRIBUTIONS.....	52
41	A.	Distribution Agent.....	52
42	B.	Delivery of Distributions.....	52
43	C.	Distributions of Cash.....	52
44	D.	Timeliness of Payments.....	52
45	E.	Compliance with Tax, Withholding, and Reporting Requirements.....	53
46	F.	Time Bar to Cash Payments.....	53

**TABLE OF CONTENTS**

		<b>Page</b>
1	G. No <i>De Minimis</i> Distributions.....	53
	H. Distributions of Unclaimed Property.....	53
2	I. No Distributions on Account of Disputed Claims.....	54
	J. Certain Claims to be Expunged.....	54
3	K. No Post-petition Accrual.....	54
4	X. DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; PROSECUTION OF OBJECTIONS TO DISPUTED CLAIMS.....	55
5	A. Claims Objection; ADR Procedures; Prosecution of Objections.....	55
6	B. Payments and Distributions with Respect to Disputed Claims.....	55
7	XI. EFFECT OF CONFIRMATION.....	55
	A. Discharge of the City.....	55
8	B. Release by Holders of Pre-Confirmation Date Claims.....	56
	C. Injunction.....	57
9	D. Term of Existing Injunctions or Stays.....	58
	E. Exculpation.....	58
10	F. Comprehensive Settlement of Claims and Controversies.....	59
	G. Agreements with the United States.....	59
11	XII. RETENTION OF AND CONSENT TO JURISDICTION.....	60
12	XIII. CONDITIONS PRECEDENT.....	62
	A. Conditions Precedent to Confirmation.....	62
13	B. Conditions Precedent to Effective Date.....	62
	C. Waiver of Conditions to Effective Date.....	63
14	D. Effect of Failure of Conditions.....	64
	E. No Admission of Liability.....	64
15	XIV. MISCELLANEOUS PROVISIONS.....	64
16	A. Modification of Plan.....	64
17	B. Dissolution of the Retiree Committee.....	64
	C. Severability.....	64
18	D. Governing Law.....	65
	E. Effectuating Documents and Further Transactions.....	65
19	F. Request for Waiver of Automatic Stay of Confirmation Order.....	65
	G. Notice of Effective Date.....	65
20		
21		
22		
23		
24		
25		
26		
27		
28		

1 The City of San Bernardino, California, a debtor under Chapter 9 of the Bankruptcy Code in  
2 the case *In re City of San Bernardino, California*, Case No. 6:12-28006, currently pending in the  
3 United States Bankruptcy Court for the Central District of California, hereby proposes the following  
4 *Third Amended Plan of Adjustment of Debts for the City of San Bernardino, California (July 29,*  
5 *2016)*, pursuant to Bankruptcy Code section 941.

6 Please refer to the Disclosure Statement included with this Plan for a discussion of the City's  
7 financial condition, the developments throughout the Bankruptcy Case, and other important  
8 information. The City encourages you to read this Plan and the Disclosure Statement in their  
9 entirety before voting to accept or reject this Plan.

10 **I. RULES OF INTERPRETATION; DEFINITIONS; COMPUTATION OF TIME**

11 **A. Rules of Interpretation.**

12 For purposes herein: (i) the words "herein," "hereof," "hereto," "hereunder," and others of  
13 similar import refer to this Plan as a whole and not to an particular section, subsection, or clause  
14 contained in this Plan; (ii) unless otherwise specified, all references in this Plan to "Sections" and  
15 "Exhibits" (uppercased) are to the respective Section in the Plan or Exhibit to the Appendix, as the  
16 same may be amended or modified from time to time; (iii) the headings in this Plan are for  
17 convenience of reference only and do not limit or otherwise affect the provisions of this Plan; (iv) in  
18 the appropriate context, words denoting the singular number include the plural number and vice  
19 versa; (v) the rules of construction set forth in Bankruptcy Code section 102 apply; (vi) any term  
20 used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code  
21 or the Bankruptcy Rules shall have the meaning assigned to that term in the Bankruptcy Code or the  
22 Bankruptcy Rules, as the case may be; and (vii) any reference to an Entity as a holder of a Claim  
23 includes such Entity's successors and assigns.

1           **B.     Definitions.**

2                   **1.     1996 Refunding Bonds** means the \$16,320,000 San Bernardino Joint Powers  
3 Financing Authority Lease Revenue Refunding Bonds (City Hall Project) Series 1996 issued  
4 pursuant to the 1996 Trust Indenture.

5                   **2.     1996 Refunding Bonds Agreements (City Hall)** means the following  
6 executory contracts and unexpired leases to which the City is a party: (i) the Continuing Disclosure  
7 Agreement dated December 18, 1996, by and between the City and the 1996 Refunding Bonds  
8 Trustee; (ii) the Ground Lease dated as of December 1, 1996, by and between the City and the RDA;  
9 and (iii) the City Hall Lease.

10                  **3.     1996 Refunding Bonds Amendment** means the Amendment to the 1996  
11 Trust Indenture and the City Hall Lease, which will be included as an Exhibit to the Appendix.

12                  **4.     1996 Refunding Bonds Trustee** means U.S. Bank National Association, not  
13 individually but as successor indenture trustee under the 1996 Trust Indenture with respect to the  
14 1996 Refunding Bonds.

15                  **5.     1996 Trust Indenture** means the Trust Indenture, dated as of December 1,  
16 1996, between the JPFA and First Trust of California, National Association, as trustee, entered into  
17 in connection with the issuance the 1996 Refunding Bonds.

18                  **6.     1998 Refunding Certificates of Participation** means the \$36,230,000 City of  
19 San Bernardino Municipal Water Department 1998 Refunding Sewer Revenue Certificates of  
20 Participation.

21                  **7.     1998 Refunding Certificates of Participation Agreements (Sewer)** means  
22 the following contracts and agreements to which the City is a party: (i) the Trust Agreement, dated  
23 July 1, 1998, by and among the San Bernardino Public Safety Authority, the City and the 1998  
24 Refunding Certificates of Participation Trustee; (ii) the Installment Purchase Agreement, dated July  
25 1, 1998, by and between the City and the San Bernardino Public Safety Authority; and (iii) all other  
26 documents or agreements executed in connection with the foregoing and the 1998 Refunding  
27 Certificates of Participation as to which the City is a party, beneficiary or obligor.  
28

1                   **8.     1998 Refunding Certificates of Participation Trustee** means U.S. Bank  
2 National Association, not individually but as indenture trustee under the 1998 Trust Indenture with  
3 respect to the 1998 Refunding Certificates of Participation.

4                   **9.     1999 Refunding Certificates of Participation** means the \$15,480,000  
5 Refunding Certificates of Participation (Police Station, South Valle and 201 North E Street Projects)  
6 issued pursuant to the 1999 Trust Agreement.

7                   **10.   1999 Refunding Certificates of Participation Agreements (Police**  
8 **Station/201 North E Street/South Valle)** means the following executory contracts and unexpired  
9 leases to which the City is a party: (i) the Continuing Disclosure Agreement dated September 29,  
10 1999 by and between the City and the 1999 Refunding Certificates of Participation Trustee; (ii) the  
11 201 North E Street Lease Agreement dated as of September 1, 1999, by and between the JPFA, as  
12 lessor, and the City, as lessee; (iii) the Police Station Lease; (iv) the South Valle Lease Agreement,  
13 dated as of September 1, 1999, by and between the JPFA, as lessor, and the City, as lessee; (v) the  
14 South Valle Site and Facility Lease, dated as of September 1, 1999, by and between the City, as  
15 lessor, and the JPFA, as lessee; (vi) the Agency Agreement, dated as of September 1, 1999, between  
16 the City and the RDA; and (vii) the Reimbursement Agreement, dated as of September 29, 1999, by  
17 and between the RDA and the City.

18                   **11.   1999 Refunding Certificates of Participation Amendment** means the  
19 Amendment to the 1999 Trust Agreement and to the Police Station Lease, which will be included as  
20 an Exhibit to the Appendix.

21                   **12.   1999 Refunding Certificates of Participation Trustee** means U.S. Bank  
22 National Association, not individually but as indenture trustee under the 1999 Trust Agreement with  
23 respect to the 1999 Refunding Certificates of Participation.

24                   **13.   1999 Trust Agreement** means the Trust Agreement, dated as of September 1,  
25 1999, between the JPFA, the City and U.S. Bank National Association, as trustee, entered into in  
26 connection with the issuance of the 1999 Refunding Certificates of Participation.  
27  
28

1                   **14. 415 Trust** means the private trust established pursuant to the City of San  
2 Bernardino Excess Benefit Trust Agreement from which the PARS Excess Benefit Plan distributions  
3 are made.

4                   **15. AB 506** means Assembly Bill 506, as codified at California Government Code  
5 § 53760 *et seq.*

6                   **16. Administrative Claim** means the costs or expenses of administration of the  
7 Bankruptcy Case not already paid by the City that are allowed under Bankruptcy Code section  
8 503(b) and entitled to priority under Bankruptcy Code section 507(a)(2) to the extent made  
9 applicable in Chapter 9 (i) which the City agrees is an Allowed administrative expense; or (ii) which  
10 the Bankruptcy Court determines is an Allowed administrative expense.

11                   **17. ADR Procedures** means the alternative dispute resolution procedures, which  
12 are included as an Exhibit to the Appendix.

13                   **18. Affiliate** has the meaning set forth in Bankruptcy Code section 101(2).

14                   **19. Allowed** means, with reference to any Claim, a Claim that

15                   (i) is on the List of Creditors (as may be amended from time to time  
16 pursuant to Bankruptcy Rule 1009) and is not listed as unliquidated, contingent or disputed on the  
17 List of Creditors, and for which no contrary proof of claim has been filed (subject to objection as set  
18 forth in the next subsection);

19                   (ii) is asserted in a proof of claim filed in compliance with Bankruptcy  
20 Code section 501 and any applicable Bankruptcy Court order or designated on the List of Creditors  
21 and as to which: (A) no objection has been, or subsequently is, filed, or notice given, within the 180  
22 Day Deadline established pursuant to Section X.A of this Plan (as such deadline may be extended by  
23 the Bankruptcy Court upon application of the City from time to time); (B) the Bankruptcy Court has  
24 entered a Final Order allowing all or a portion of such Claim (but only in the amount so allowed); or  
25 (C) the Bankruptcy Court has entered a Final Order under Bankruptcy Code section 502(c)  
26 estimating the amount of the Claim for purposes of allowance;

27                   (iii) is subject to a stipulation between the City and the holder of such  
28 Claim providing for the allowance of such Claim;

1 (iv) is deemed “Allowed” pursuant to the terms of this Plan; or  
2 (v) is designated as “Allowed” in a pleading entitled “Designation Of  
3 Allowed Claims” (or a similar title) filed with the Bankruptcy Court by the City on or after the  
4 Effective Date.

5 **20. Appendix** means all of the documents, schedules and exhibits referred to in  
6 the Plan and Disclosure Statements as Exhibits thereto, which Appendix will be filed with the Court  
7 and distributed along with the Disclosure Statement when the City solicits votes to accept the Plan.

8 **21. Ballot** means the ballot(s), in the form(s) approved by the Bankruptcy Court  
9 in the Plan Solicitation Order accompanying the Disclosure Statement and provided to each holder  
10 of a Claim entitled to vote to accept or reject this Plan.

11 **22. Bankruptcy Case** means the case under Chapter 9 of the Bankruptcy Code  
12 commenced by the City, styled *In re City of San Bernardino, California*, Case No. 6:12-28006-MJ,  
13 currently pending in the Bankruptcy Court.

14 **23. Bankruptcy Code** means title 11 of the United States Code, as amended from  
15 time to time, as applicable to the Bankruptcy Case.

16 **24. Bankruptcy Court** means the United States Bankruptcy Court for the Central  
17 District of California, Riverside Division, or such other court that lawfully exercises jurisdiction  
18 over the Bankruptcy Case.

19 **25. Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure, as  
20 amended from time to time, as applicable to the Bankruptcy Case, together with the local rules of the  
21 Bankruptcy Court applicable to the Bankruptcy Case. Unless otherwise indicated, references in this  
22 Plan to “Bankruptcy Rule \_\_\_\_\_” are to the specifically identified rule of the Federal Rules of  
23 Bankruptcy Procedure.

24 **26. Bar Date** means the applicable date by which a particular proof of claim must  
25 be filed, as established by the Bankruptcy Court. There may be multiple Bar Dates for various types  
26 or classes of claims.

27 **27. BICEP** means the Big Independent Cities Excess Pool Joint Powers  
28 Authority.

1                   **28. BICEP Agreement** means the BICEP Master Memorandum of Liability  
2 Coverage between the City and BICEP and the exhibits and schedules evidencing the terms  
3 thereunder.

4                   **29. Burgess** means Tim Burgess.

5                   **30. Burgess Claims** means the claims of Burgess arising under the Burgess  
6 Documents.

7                   **31. Burgess Documents** means the transaction documents entered into in  
8 connection with the City's financed acquisition of the real property located at 120 South D Street in  
9 San Bernardino, including: the Purchase and Sale Agreement; the San Bernardino City Fire  
10 Department Maintenance Facility Note in the original principal sum of \$1,200,000 (the "Burgess  
11 Note"); the Indenture and Loan Agreement, and a Deed of Trust, Security Agreement, Assignment  
12 of Leases and Rents, and Financing Statement.

13                   **32. Business Day** means a day other than a Saturday, a Sunday, or any other day  
14 on which banking institutions in Los Angeles, California, are required or authorized to close by law  
15 or executive order.

16                   **33. CalPERS** means the California Public Employees' Retirement System.

17                   **34. CalPERS Claims** means the claims of CalPERS arising under the City's  
18 contract with CalPERS, as applied or interpreted pursuant to applicable provisions of California law,  
19 and any other claims asserted by CalPERS against the City, including under the Mediator's Order.

20                   **35. Cash** means cash and cash equivalents, including withdrawable bank deposits,  
21 wire transfers, checks, and other similar items.

22                   **36. Charter** means the Charter of the City of San Bernardino, State of California,  
23 as is currently in effect, and any amendments, replacements or changes thereto.

24                   **37. Charter Committee** means the committee established by the City to draft a  
25 proposed revised and/or replacement Charter for consideration by the City's voters (not the voters  
26 under this Plan).

27                   **38. CIEDB** means the California Infrastructure and Economic Development  
28 Bank.

1                   **39. CIEDB Documents** means the transaction documents pursuant to which  
2 CIEDB provided bond financing to the City to fund the City's (i) \$2 million Harriman Project, (ii)  
3 \$10 million Pavement Project, and (iii) \$2.55 million Verdemont Fire Station Project.

4                   **40. City** means the City of San Bernardino, California, the debtor in the  
5 Bankruptcy Case.

6                   **41. City Hall Lease** means the Lease Agreement dated as of December 1, 1996,  
7 by and between the JPFA, as lessor, and the City, as lessee.

8                   **42. Claim** has the meaning set forth in Bankruptcy Code section 101(5).

9                   **43. Class** means any group of Claims classified herein pursuant to Bankruptcy  
10 Code section 1123(a).

11                   **44. Common Council** means the duly elected legislative body of the City, often  
12 referred to as the City Council.

13                   **45. Confirmation Date** means the date on which the Clerk of the Bankruptcy  
14 Court enters the Confirmation Order on the Docket.

15                   **46. Confirmation Hearing** means the hearing to be conducted by the Bankruptcy  
16 Court regarding confirmation of this Plan, as such hearing may be adjourned, reconvened or  
17 continued from time to time.

18                   **47. Confirmation Order** means the order of the Bankruptcy Court confirming  
19 this Plan pursuant to Bankruptcy Code section 943.

20                   **48. Consenting Union** means those formally recognized bargaining units of City  
21 employees that have entered into modified or new collective bargaining agreements, Memoranda of  
22 Understanding or letter agreements with the City or that will have entered into such prior to the  
23 confirmation of this Plan.

24                   **49. Consenting Union Claims** means the Allowed Claims of the Consenting  
25 Unions and the employees represented by such unions arising in connection with modifications to  
26 the terms and conditions of employment of the represented employees that gave rise to Claims, in  
27 the amount stipulated by the City and the Consenting Union.  
28

1                   **50. Contract Rejection Claim** means a claim arising from the rejection of an  
2 executory contract or unexpired lease of non-residential real property.

3                   **51. Convenience Class Claim** means any Allowed Claim that is greater than zero  
4 but is equal to or less than \$100 in Allowed amount or irrevocably reduced to \$100 in Allowed  
5 amount at the election of the holder of the Allowed Claim as evidenced by the Ballot submitted by  
6 such holder; *provided, however*, that an Allowed Claim may not be subdivided into multiple Claims  
7 of \$100 or less for purposes of receiving treatment as a Convenience Class Claim.

8                   **52. CSWRCB Revenue Bond Claim** means the secured claim asserted by the  
9 California State Water Resources Control Board in the proof of claim marked as document number  
10 311 in the register of claims and filed February 6, 2014.

11                   **53. CSWRCB Revenue Bond** means the bond, issued on or about April 1, 2000,  
12 reflecting the City's assignment of a portion of obligations under the State Revolving Fund Loan,  
13 originally executed on or about April 12, 1994, by and between the State Water Resources Control  
14 Board and the Santa Ana Watershed Project Authority, for the construction of a Regional Tertiary  
15 Treatment System.

16                   **54. Disallowed** means a Claim or portion thereof that: (i) is disallowed by a Final  
17 Order of the Bankruptcy Court; (ii) is on the List of Creditors (as amended from time to time in  
18 accordance with Bankruptcy Rule 1009): (A) in the amount of \$0.00; or (B) as contingent, disputed,  
19 or unliquidated; and as to which no proof of claim has been filed by the applicable Bar Date; (iii)  
20 the holder has agreed is equal to \$0.00 or is to be withdrawn, disallowed or expunged; or (iv) is not  
21 on the List of Creditors and as to which no proof of claim has been filed by the applicable Bar Date.

22                   **55. Disclosure Statement** means the Third Amended Disclosure Statement, and  
23 all exhibits and schedules incorporated therein, as approved by the Bankruptcy Court pursuant to  
24 Bankruptcy Code section 1125 (made applicable to this Bankruptcy Case pursuant to 11 U.S.C.  
25 § 901(a)), in an order entered on July 7, 2016 (Docket No. 1874), as the same may be amended,  
26 modified, or supplemented in accordance with the Bankruptcy Code.

27                   **56. Disputed Claim** means any Claim or portion thereof that has not become  
28 Allowed and that is not Disallowed. In the event that any part of a Claim is a Disputed Claim,

1 except as otherwise provided in this Plan, such Claim shall be deemed a Disputed Claim in its  
2 entirety for purposes of distribution under this Plan unless the City otherwise agrees in writing in its  
3 sole discretion. Without limiting the foregoing, a Claim that is the subject of a pending application,  
4 motion, complaint, objection, or any other legal proceeding seeking to disallow, limit, reduce,  
5 subordinate, or estimate such Claim shall be deemed to be a Disputed Claim.

6           **57. Docket** means the docket of the Bankruptcy Case maintained by the Clerk of  
7 the Bankruptcy Court and, unless otherwise indicated, “Docket No.” references mean to that Docket.

8           **58. Effective Date** means the first Business Day after the Confirmation Date on  
9 which the conditions specified in Section XIII.B of this Plan have been satisfied or waived.

10           **59. Eligibility Contest** means, collectively, the proceedings on the City’s  
11 eligibility to be a debtor under Chapter 9 of the Bankruptcy Code and the related pleadings,  
12 arguments, formal and informal discovery, hearings, orders and appeals.

13           **60. Employee Wage and Benefit Claims** means the claims of current and former  
14 employees of the City and their collective bargaining representatives for unpaid wages and benefits,  
15 but not including Claims included in any other category of Claims.

16           **61. Exculpated Party** means the Entities referred to in Section XI.E of this Plan.

17           **62. Final Order** means a judgment, order, ruling, or other decree issued and  
18 entered by the Bankruptcy Court which judgment, order, ruling, or other decree has not been  
19 reversed, stayed, modified, or amended and as to which: (i) the time to appeal or petition for review,  
20 rehearing, or certiorari has expired and no appeal or petition for review, rehearing, or certiorari is  
21 then pending; or (ii) any appeal or petition for review, rehearing, or certiorari has been finally  
22 decided and no further appeal or petition for review, rehearing, or certiorari can be taken or granted.

23           **63. Financial Model** means the City’s Long Term 20-Year Financial Model (the  
24 “Financial Model”) in support of the financial feasibility of the Plan that is attached as an Exhibit in  
25 the Appendix.

26           **64. Fire Alerting System Financing Agreement** means the Master Equipment  
27 Lease/Purchase Agreement entered into as of December 16, 2009, between the City and Western  
28

1 Alliance (as assignee of Bank of America, National Association), with respect to certain equipment  
2 and fire station alerting systems for twelve of the City’s fire stations and one dispatch center.

3           **65. Franchise Agreements** means the franchise agreements to which the City is a  
4 party, and which were entered into prior to the Petition Date between the City and certain utility and  
5 similar service providers.

6           **66. General Fund** means the City’s chief operating fund, which is used to  
7 account for all financial resources except those required to be accounted for in another fund (such as  
8 the Restricted Funds).

9           **67. General Unsecured Claim** means a Claim of a general unsecured creditor of  
10 the City, and General Unsecured Claims include all claims except Administrative Claims,  
11 Professional Claims, Secured Claims, CalPERS Claims, POB Claims, Class 9 PARS Claims,  
12 Convenience Class Claims, those Claims payable from a Restricted Fund, and those Claims relating  
13 to the 1996 Refunding Bonds or the 1999 Refunding Certificates of Participation. General  
14 Unsecured Claims includes, without limitation, the SBCPF General Unsecured Claim, Retiree  
15 Health Benefit Claims, Consenting Union Claims, Employee Wage and Benefit Claims, Contract  
16 Rejection Claims, Litigation Claims, Other Post-petition Claims, all Claims of pre-petition vendors  
17 and service providers to the City, and the unsecured and/or deficiency portion, if any, of the claims  
18 of the holders of the Claims in Classes 1 through 6. As a result of the settlements that the City has  
19 entered into with the official Retiree Committee and with each of the unions representing City  
20 employees, the Class 10 Consenting Union Claims and Class 11 Retiree Health Benefit Claims are  
21 fully included in Class 13 General Unsecured Claims for all purposes, including voting on the Plan  
22 and claim treatment under the Plan.

23           **68. Harriman Project** means the “Harriman Place Street Extension Project –  
24 Phase I,” a \$2,000,000 project to extent the eastern end of Harriman Place to align with a nearby  
25 intersection, in order to facilitate the development of a regional commercial shopping center and the  
26 improvement of a local blighted area.

27           **69. HUD** means the U.S. Department of Housing and Urban Development.  
28

1           **70. Impaired** means a Claim or interest that is impaired within the meaning of  
2 Bankruptcy Code section 1124.

3           **71. Impositions** means those modified terms and conditions of employment  
4 implemented by the City pursuant to Common Council Resolutions 2013-19, 2013-20 and 2014-364,  
5 and additional modifications, if any, to the terms and conditions of employment implemented by the  
6 City, that are in place on the Confirmation Date, including pursuant to this Plan.

7           **72. Indemnification** means rights of indemnity, defense, reimbursement, and  
8 advancement of fees and expenses of current and former officers and employees of the City with  
9 respect to any claims or lawsuits brought against such officers and employees by third parties, in  
10 each case arising out of an act or omission occurring within the scope of such officer's or  
11 employee's employment as an employee of the City.

12           **73. Indemnified Parties** means the current and former officers and employees of  
13 the City who are entitled to Indemnification.

14           **74. Insured Portion** means that portion of any Workers Compensation Claim that  
15 is covered by one or more of the City's insurance policies or one or more of the risk-sharing or  
16 excess risk sharing pools of which the City is a member, up to the amount of the policy limits,  
17 including any excess coverage policies.

18           **75. JPFA** means the San Bernardino Joint Powers Financing Authority.

19           **76. Litigation Claims** means (a) those lawsuits against the City that are still  
20 pending as of the Confirmation Date, including those listed in Exhibit 6 to the Appendix, and  
21 (b) those lawsuits that are filed after the Confirmation Date but that arose prior to the Confirmation  
22 Date.

23           **77. List of Creditors** means the First Amended List of Creditors filed by the City  
24 on November 8, 2013 (Docket No. 869), as such list may be amended, supplemented or otherwise  
25 modified.

26           **78. Mediator's Order** means the order issued on June 9, 2014 by the Honorable  
27 Gregg W. Zive, U.S. Bankruptcy Judge for the District of Nevada (acting as the court-appointed  
28

1 mediator), evidencing the agreement between the City and CalPERS regarding the treatment of the  
2 CalPERS Claims under the Plan and certain other agreements.

3 **79. MOU** means a Memorandum of Understanding comprising a collective  
4 bargaining agreement between the City and a union representing City employees.

5 **80. National** means National Public Finance Guarantee Corporation, a New York  
6 stock insurance corporation.

7 **81. Notice of the Effective Date** shall have the meaning ascribed to such phrase  
8 in Section XIV.F of this Plan.

9 **82. Objection Deadline** means the deadline fixed by the Bankruptcy Court for  
10 filing objections to confirmation of this Plan.

11 **83. Other Post-petition Claims** means unpaid Claims asserted against the City  
12 for services rendered to, goods delivered to or obligations incurred by the City after the Petition Date  
13 that do not constitute Administrative Claims.

14 **84. PARS Claim** means the Claims of the PARS Participants in respect of: (a) the  
15 funds in the PARS Plans, which is a Class 9 PARS Claim; and (b) any other obligation of the City  
16 under the PARS Plans, including claims for payment of any unfunded liability.

17 **85. PARS Enhancement Plan** means the City of San Bernardino Public Agency  
18 Retirement System Retirement Enhancement Plan, which was amended and restated effective July 1,  
19 2007.

20 **86. PARS Excess Benefit Plan** means the City of San Bernardino Excess Benefit  
21 Plan, effective January 1, 2008.

22 **87. PARS Participant** means a participant in either the PARS Enhancement Plan  
23 or the PARS Excess Benefit Plan.

24 **88. PARS Plans** means, collectively, the PARS Enhancement Plan and the PARS  
25 Excess Benefit Plan.

26 **89. PARS Trust** means the trust, related to a multi-employer plan PARS Trust  
27 Agreement to which the City, along with other municipalities, is a party, from which the  
28 distributions under the PARS Enhancement Plan are paid.

1           **90.    PARS Settlement** means the Settlement Agreement between the City and the  
2 PARS Participants, dated as of April 20, 2016.

3           **91.    Pavement Project** means the “Pavement Reconstruction and Rehabilitation  
4 Project,” a \$10,000,000 project to finance the construction, acquisition and installation of pavement  
5 in or around the public streets throughout the City.

6           **92.    Petition Date** means August 1, 2012.

7           **93.    Plan** means this *Third Amended Plan of Adjustment of Debts of the City of*  
8 *San Bernardino, California (July 29, 2016)*, together with any exhibits hereto (including those  
9 attached as exhibits to the Appendix), each in their present form or as they may be altered, amended  
10 or modified from time to time in accordance with the provisions of this Plan, the Confirmation  
11 Order, the Bankruptcy Code, and the Bankruptcy Rules.

12           **94.    Plan Document** means (a) the documents referenced in this Plan as such, a  
13 copy of which will be attached as an Exhibit to the Appendix, or (b) any other document entered into  
14 in connection with and pursuant to this Plan, that is in form and substance acceptable to the City, has  
15 been duly and validly executed and delivered, or deemed executed by the parties thereto, and for  
16 which all conditions to its effectiveness have been satisfied or waived.

17           **95.    Plan Solicitation Order** means the *Order: (A) Approving Third Amended*  
18 *Disclosure Statement With Respect to the Third Amended Plan for the Adjustment of Debts (May 27,*  
19 *2016); and (B) Setting Certain Deadlines Regarding Voting to Accept or Reject the Third Amended*  
20 *Plan and Related Matters* (Docket No. 1874, entered on July 7, 2016), by which the Bankruptcy  
21 Court approved the Disclosure Statement as containing adequate information for the purpose of  
22 dissemination and solicitation of votes on and confirmation of this Plan and established certain rules,  
23 deadlines, and procedures for the solicitation of votes with respect to and the balloting on this Plan.

24           **96.    POBs** mean the Series A-1 and Series A-2 Taxable Pension Obligation Bonds  
25 issued by the City pursuant to a Trust Agreement dated October 1, 2005.

26           **97.    POB Claims** means those Allowed Claims of the holders of the outstanding  
27 POBs.

28           **98.    POB Creditors** means the holders of the POB Claims.

1           **99.    POB Settlement Agreement** means the comprehensive settlement regarding  
2 the treatment of the POB Claims entered into by the City and the POB Creditors in March 2016.

3           **100.   Police Station Lease** means the Police Station Lease Agreement, dated as of  
4 September 1, 1999, by and between the JPFA, as lessor, and the City, as lessee.

5           **101.   Police Station AC Financing Agreement** means the Master Equipment  
6 Lease/Purchase Agreement entered into as of October 1, 2004, between the City and Western  
7 Alliance (as assignee of Koch Financial Corporation), with respect to four water-cooled air  
8 conditioners in use in the City’s police headquarters.

9           **102.   Pre-Confirmation Date Claims** means all Claims against the City that arose  
10 prior to the Confirmation Date.

11           **103.   Professional Claim** means a Claim of professionals for unpaid services and  
12 costs during the Bankruptcy Case or incident to the Plan to be paid by the City.

13           **104.   RDA** means the former Redevelopment Agency of the City of San Bernardino  
14 (also referred to as the Economic Development Agency).

15           **105.   Reinsurance Policies** means the reinsurance policies between BICEP and  
16 certain insurance companies indemnifying BICEP for losses covered by the BICEP Agreement.

17           **106.   Restricted Funds** means those funds whose use is restricted by applicable  
18 law for a particular purpose or otherwise legally restricted by their providers (such as grantors,  
19 bondholders and other governmental units).

20           **107.   Restricted Revenue Bond and Note Payable Obligations** means any and all  
21 bond and/or note payable obligations that are secured by a pledge of and lien on “restricted” and/or  
22 “special” revenues (as defined in Bankruptcy Code section 902(2)), including the 1998 Refunding  
23 Certificates of Participation and the CSWRCB Revenue Bond Claim, and including obligations that  
24 arise pursuant to all installment purchase agreements, security agreements, trust indentures,  
25 reimbursement agreements, fee letters, and other agreements with respect thereto to which the City is  
26 a party and which are payable from and secured by special and restricted sources of revenues.

27           **108.   Retirees** means those retirees of the City that are covered by the Retiree  
28 Settlement.

1           **109. Retiree Committee** means the Official Committee of Retirees, appointed in  
2 the Bankruptcy Case on October 11, 2013 [Docket No. No. 828], by the Office of the United States  
3 Trustee pursuant to Bankruptcy Code sections 1102(a)(1) and 1102(b)(1), as the membership thereof  
4 may have been reconstituted from time to time by the Office of the United States Trustee, which  
5 represents only the interests of retirees from the City and does not represent current employees or  
6 any other creditors.

7           **110. Retiree Health Benefit Claims** means those Allowed Claims of the Retirees  
8 pursuant to the Retiree Settlement based upon modifications to retiree health benefits.

9           **111. Retiree Settlement** means the settlement entered into between the City and  
10 the Retiree Committee on behalf of the Retirees.

11           **112. Rights of Action** means any claims, causes of action, rights of recovery,  
12 rights of offset or recoupment, defenses, rights to refunds, and similar rights owned by, accruing to,  
13 or assigned to the City pursuant to the Bankruptcy Code or pursuant to any contract, statute, or legal  
14 theory, including without limitation any rights to, claims, or causes of action for recovery under any  
15 policies of insurance issued to or on behalf of the City.

16           **113. Rust Omni** means Rust Consulting/Omni Bankruptcy, the ballot tabulator in  
17 the Bankruptcy Case.

18           **114. SBCPF** means the San Bernardino City Professional Firefighters, Local 891.

19           **115. SBCPF General Unsecured Claim** means the Consenting Union Claim of  
20 the SBCPF and its current and former members in the amount of \$14 million pursuant to the SBCPF  
21 Settlement Agreement (described therein as the Fire Union General Unsecured Claim) which claim  
22 shall be treated as a Class 13 General Unsecured Claim for all purposes.

23           **116. SBCPF Settlement Agreement** means the Settlement Agreement and Release  
24 dated as of February 8, 2016 among the City, the SBCPF and certain members of the SBCPF.

25           **117. Secured Claim** means a Claim that is secured (i) by a lien that is not subject  
26 to avoidance or subordination under the Bankruptcy Code or applicable non-bankruptcy law; or  
27 (ii) as a result of rights of setoff under section 553; but in any event only to the extent of the value,  
28

1 determined in accordance with Bankruptcy Code section 506(a), of the holder's interest in the City's  
2 interest in property or to the extent of the amount subject to such setoff, as the case may be.

3 **118. State** means the state of California, unless otherwise indicated.

4 **119. Unimpaired** means a Claim that is not Impaired within the meaning of  
5 Bankruptcy Code section 1124.

6 **120. Uninsured Portion** means the amount in excess of the Insured Portion of an  
7 Allowed Workers Compensation Claim.

8 **121. Verdemont Fire Station Project** means the "Verdemont Fire Station  
9 Project," a \$2,550,000 project to finance the construction, acquisition and installation of the  
10 Verdemont Fire Station, located on real property owned by the City, as well as the purchase of two  
11 new fire engines.

12 **122. Water Department** means the San Bernardino Municipal Water Department.

13 **123. Water Funds** means funds received by the City/Water Department in the  
14 form of bank accounts, cash, investments or otherwise derived from any or all of the following  
15 sources: (i) the payments from rate payers for water and water related services; (ii) any reasonable  
16 reserves held by or for the Water Department; (iii) proceeds of any water bond issuances, including,  
17 without limitation the 1998 Sewer Bonds; (iv) the monies paid pursuant to the settlement agreement  
18 between the City and the United States pursuant to *State of California Department of Toxic*  
19 *Substances Control v. United States Department of the Army*, United States District Court Case No.  
20 96-5205(MRP) consolidated with *City of San Bernardino Municipal Water Department v. United*  
21 *States Department of the Army*, United States District Court Case No. 96- 8867(MRP); and (v) any  
22 water related development fees or water related capital fees.

23 **124. Western Alliance** means Western Alliance Equipment Finance, Inc. or any  
24 assignee thereof.

25 **125. Workers' Compensation Claims** means those Claims pursuant to California  
26 workers compensation law (California Labor Code section 3200 *et seq.*) of current and former City  
27 employees who have suffered an eligible injury while employed by the City.  
28

1           **C.     Computation of Time.**

2           In computing any period of time prescribed or allowed by this Plan, the provisions of  
3 Bankruptcy Rule 9006(a) apply.

4 **II.    TREATMENT OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL CLAIMS**

5           **A.     Treatment of Administrative Claims.**

6           Except to the extent that the holder of an Allowed Administrative Claim agrees to a different  
7 treatment, the City or its agent shall pay to each holder of an Allowed Administrative Claim, in full  
8 satisfaction, release, and discharge of such Allowed Administrative Claim, Cash in an amount equal  
9 to such Allowed Administrative Claim on the later of (i) the Effective Date or (ii) the date on which  
10 such Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable. The  
11 City's consent to the Bankruptcy Court adjudicating Administrative Claim status is given without  
12 the City in any way consenting or agreeing that Claims for post-petition obligations of the City are  
13 or would be entitled to status as Administrative Claims as "the actual necessary costs and expenses  
14 of preserving the estate" under Bankruptcy Code section 503(b), and the City reserves its right to  
15 maintain that such Claims are Other Post-petition Claims under this Plan.

16           **B.     Deadline for the Filing and Assertion of Administrative Claims.**

17           All requests for payment or any other means of preserving and obtaining payment of  
18 Administrative Claims that have not been paid, released, or otherwise settled, must be filed with the  
19 Bankruptcy Court and served upon the City no later than 30 days after the date on which the Notice  
20 of Effective Date is served. Any proof of claim for payment of an Administrative Claim, that is not  
21 timely filed by such date will be forever barred, and holders of such Claims shall be barred from  
22 asserting such Claims in any manner against the City

23           **C.     Treatment of Professional Claims.**

24           Professional Claims are claims of professionals for unpaid services and costs during the  
25 Bankruptcy Case or incident to the Plan to be paid by the City. Bankruptcy Code section 943(b)(3)  
26 provides that, in order to confirm the Plan, all amounts to be paid by the City for services or  
27 expenses incurred in the Bankruptcy Case, or incident to the Plan, must be fully disclosed and must  
28 be reasonable. After the Effective Date, there will be paid to each holder of a Professional Claim, in

1 full satisfaction, release, and discharge of such Claim, Cash in an amount equal to the amount the  
2 Bankruptcy Court determines is reasonable. The City, in the ordinary course of its business, and  
3 without the requirement for Bankruptcy Court approval, may pay for professional services that are  
4 rendered and costs that are incurred following the Effective Date.

5 **D. Priority Claims in Chapter 9.**

6 The only priority claims incorporated into Chapter 9 through Bankruptcy Code section 901  
7 are Administrative Claims allowed under Bankruptcy Code section 503(b) and entitled to priority  
8 under Bankruptcy Code section 507(a)(2). The treatment of all such Administrative Claims is set  
9 forth immediately above in Sections II.A and II.B. No other kinds of priority claims set forth in  
10 Bankruptcy Code section 507 are recognized in this Bankruptcy Case, and Claims that are not  
11 Administrative Claims herein and that would constitute administrative expenses in a case under  
12 another chapter of the Bankruptcy Code, including Other Post-petition Claims, are treated in Chapter  
13 9 and in this Plan as General Unsecured Claims.

14 **III. DESIGNATION OF CLASSES OF CLAIMS**

15 Pursuant to Bankruptcy Code sections 1122 and 1123(a)(1), all Claims other than  
16 Administrative Claims and Professional Claims are classified for all purposes, including voting,  
17 confirmation, and distribution pursuant to this Plan, as follows:

- 18
- 19 Class 1 - 1996 Refunding Bonds Claims (Impaired/Voting)
- 20 Class 2 - 1999 Refunding Certificates of Participation Claims (Impaired/Voting)
- 21 Class 3 - Secured Claims: CIEDB Harriman Project Claims (Unimpaired/Nonvoting)
- 22 Class 4 - Secured Claims: CIEDB Pavement Project Claims (Unimpaired/Nonvoting)
- 23 Class 5 - Secured Claims: Police Station AC Financing Claims (Impaired/Voting)
- 24 Class 6 - Secured Claims: Burgess Claims (Impaired/Voting)
- 25 Class 7 - Claims on Restricted Revenue Bond and Note Payable Obligations (Unimpaired/Nonvoting)
- 26
- 27 Class 8 - CalPERS Claims (Unimpaired/Nonvoting)
- 28

1	<u>Class 9</u> - PARS Claims	(Impaired/Voting)
2	<u>Class 10</u> - Consenting Union Claims	(Impaired/Voting)
3	<u>Class 11</u> - Retiree Health Benefit Claims	(Impaired/Voting)
4	<u>Class 12</u> - POB Claims	(Impaired/Voting)
5	<u>Class 13</u> - General Unsecured Claims	(Impaired/Voting)
6	<u>Class 14</u> - Convenience Class Claims	(Impaired/Voting)
7		

8 **IV. TREATMENT OF CLAIMS**

9 **A. Class 1 – 1996 Refunding Bonds Claims**

10 **Impairment and Voting.** Class 1 is Impaired by this Plan because the treatment of this  
11 Class will affect the legal, equitable, or contractual rights of the holders of the Claims. Accordingly,  
12 National, as the deemed holder of the Claims in this Class, is entitled to vote to accept or reject this  
13 Plan.

14 **Treatment.** Subject to the terms and conditions of the 1996 Refunding Bonds Amendment,  
15 on the Effective Date, the 1996 Trust Indenture and the City Hall Lease will be amended and  
16 supplemented. In addition, in connection with the 1996 Refunding Bonds Amendment, the City will  
17 assume the 1996 Refunding Bond Agreements (City Hall) and will cure, or provide adequate  
18 assurance for the prompt cure, of all defaults under the 1996 Refunding Bond Agreements (City  
19 Hall) that are required to be cured under section 365(b)(1)(A) of the Bankruptcy Code. The  
20 effectiveness of the 1996 Refunding Bonds Amendment will also be subject to a number of terms  
21 and conditions as set forth therein. Subject to the 1996 Refunding Bonds Amendment, the 1996  
22 Refunding Bonds Trustee shall retain all of its rights, remedies, security interests and collateral  
23 under the 1996 Trust Indenture, as amended, and any bonds, notes, security agreements, or any other  
24 instruments or agreements executed in connection with the 1996 Refunding Bonds or otherwise  
25 providing, granting or perfecting a lien in connection with the 1996 Refunding Bonds.

26 **B. Class 2 – 1999 Refunding Certificates of Participation Claims**

27 **Impairment and Voting.** Class 2 is Impaired by this Plan because the treatment of this  
28 Class will affect the legal, equitable, or contractual rights of the holders of the Claims. Accordingly,

1 National, as the deemed holder of the Claims in this Class, is entitled to vote to accept or reject this  
2 Plan.

3 **Treatment.** Subject to the terms and conditions of the 1999 Refunding Certificates of  
4 Participation Amendment, on the Effective Date, the 1999 Trust Agreement and the Police Station  
5 Lease will be amended and supplemented. Pursuant to the 1999 Refunding Certificates of  
6 Participation Amendment, on the Effective Date, funds from the “Reserve Fund” (in excess of the  
7 “Reserve Requirement”) and the “Capital Reserve Fund” (as such terms are defined in the 1999  
8 Trust Agreement) will be used to pay in full all remaining lease payments due from the City under  
9 the Police Station Lease. In addition, pursuant to Section 10.02 of the Police Station Lease, the City  
10 will give notice of an optional redemption of the 1999 Refunding Certificates of Participation in an  
11 amount equal to the amount of the Police Station Lease prepayment hereunder, with such  
12 redemption to occur at the earliest practicable date following the occurrence of the Effective Date.  
13 Such notice will specify the order of redemption of the 1999 Refunding Certificates of Participation,  
14 which order will ensure that the remaining payments required to be made by the City under the 1999  
15 Refunding Certificates of Participation Agreements (Police Station/201 North E Street/South Valle)  
16 will be sufficient to pay the principal of and interest on the 1999 Refunding Certificates of  
17 Participation when due, as certified by an independent financial consultant of the City reasonably  
18 acceptable to National and the 1999 Refunding Certificates of Participation Trustee. On the  
19 Effective Date, the City will deposit the proceeds of the prepayment of the Police Station Lease with  
20 the 1999 Refunding Certificates of Participation Trustee to hold in trust pursuant to the terms of the  
21 1999 Trust Agreement pending the redemption of the 1999 Refunding Certificates of Participation  
22 required hereunder.

23 In connection with the 1999 Refunding Certificates of Participation Amendment, the City  
24 will also assume the 1999 Refunding Certificates of Participation Agreements (Police Station/201  
25 North E Street/South Valle), including the Police Station Lease, as amended by the 1999 Refunding  
26 Certificates of Participation Amendment, and will cure, or provide adequate assurance for the  
27 prompt cure, of all defaults under the 1999 Refunding Certificates of Participation Agreements  
28 (Police Station/201 North E Street/South Valle) that are required to be cured under section

1 365(b)(1)(A) of the Bankruptcy Code. The effectiveness of the 1999 Refunding Certificates of  
2 Participation Amendment will also be subject to a number of terms and conditions, as set forth  
3 therein. Subject to the 1999 Refunding Certificates of Participation Amendment, the 1999  
4 Refunding Certificates of Participation Trustee shall retain all of its rights, remedies, security  
5 interests and collateral (other than with respect to the Police Station) under the 1999 Trust  
6 Agreement, as amended, and any bonds, notes, security agreements, or any other instruments or  
7 agreements executed in connection with the 1999 Refunding Certificates of Participation or  
8 otherwise providing, granting or perfecting a lien in connection with the 1999 Refunding Certificates  
9 of Participation.

10 **C. Class 3 – Secured Claims: CIEDB Harriman Project Claims**

11 **Impairment and Voting.** Class 3 is not Impaired by this Plan because the treatment of this  
12 Class will not affect the legal, equitable, or contractual rights of the holders of the Claims.  
13 Accordingly, the holders of Claims in this Class are not entitled to vote to accept or reject this Plan.

14 **Treatment.** The Claims of CIEDB in respect of the Harriman Project will be paid in  
15 accordance with those CIEDB Documents relating to the CIEDB's financing of the Harriman  
16 Project.

17 **D. Class 4 – Secured Claims: CIEDB Pavement Project Claims**

18 **Impairment and Voting.** Class 4 is not Impaired by this Plan because the treatment of this  
19 Class will not affect the legal, equitable, or contractual rights of the holders of the Claims.  
20 Accordingly, the holders of Claims in this Class are not entitled to vote to accept or reject this Plan.

21 **Treatment.** The Claims of CIEDB in respect of the Pavement Project will be paid in  
22 accordance with those CIEDB Documents relating to the CIEDB's financing of the Pavement  
23 Project.

24 **E. Class 5 – Secured Claims: Police Station AC Financing Claims**

25 **Impairment and Voting.** Class 5 is Impaired by this Plan because the treatment of this  
26 Class will affect the legal, equitable, or contractual rights of the holders of the Claims, and,  
27 accordingly, the holders of the Claims in this Class are entitled to vote to accept or reject this Plan.  
28

1           **Treatment.** The collateral securing the Western Alliance Claim will be returned to Western  
2 Alliance and Western Alliance shall have a Class 13 General Unsecured Claim in the approximate  
3 amount of \$475,000 which will receive a 1% distribution. Western Alliance may leave the Police  
4 Station ACs on City property (or property controlled by the City) without any liability to the City,  
5 and if so, the Police Station ACs shall be deemed abandoned to the City, without any City liability to  
6 Western Alliance.

7           **F.       Class 6 – Secured Claims: Burgess Claims**

8           **Impairment and Voting.** Class 6 is Impaired by this Plan because the treatment of this  
9 Class will affect the legal, equitable, or contractual rights of the holders of the Burgess Claims, and,  
10 accordingly, the holders of the Burgess Claims are entitled to vote to accept or reject this Plan.

11           **Treatment.** The maturity date with respect to the Burgess Documents is in 2019, at which  
12 time a large balloon payment (approximately \$1.1 million) is due to Burgess. Under the Plan, the  
13 Burgess Documents will be amended to extend the maturity date until 2022, and the balloon  
14 payment will be amortized over that 3-year period with interest continuing to accrue through the new  
15 maturity date on the unpaid principal balance at the current interest rate set forth in the Note (5%)  
16 which will be paid on January 1 and July 1 of each year of the 3 year extension period. The Burgess  
17 Documents will also be amended to provide that Burgess has granted the City the option until April  
18 30, 2017 to pay the principal amount due under the Note at a 10% discount (the “Discounted  
19 Payoff”), plus all accrued and unpaid interest at the rate set forth in the Note through the date that the  
20 Discounted Payoff payment is made. The City exercised its option to make the Discounted Payoff  
21 payment in June 2016, and then conveyed the Fire Maintenance Facility to the County Fire District  
22 in connection with annexation of the City into the County Fire District.

23           **G.       Class 7 – Claims on Restricted Revenue Bond and Note Payable Obligations**

24           **Impairment and Voting.** Class 7 is not Impaired by this Plan because the treatment of this  
25 Class will not affect the legal, equitable, or contractual rights of the holders of the Claims.  
26 Accordingly, the holders of Claims in this Class are not entitled to vote to accept or reject this Plan.

27           **Treatment.** Claims on Restricted Revenue Bond and Note Payable Obligations, including  
28 Claims under the 1998 Refunding Certificates of Participation and the CSWRCB Revenue Bond

1 Claim, are secured by a pledge of and lien on revenues of several of the City's systems and  
2 enterprises, which are restricted revenues and "special revenues" as defined in Bankruptcy Code  
3 section 902(2). The City will pay Restricted Revenue Bond and Notes Payable Obligations in the  
4 ordinary course of business pursuant to the applicable documents (which will be assumed by the  
5 City on the Effective Date, with any defaults, to the extent any defaults exist as of the Effective  
6 Date, that are required to be cured under section 365(b)(1)(A) of the Bankruptcy Code cured, or  
7 adequate provision made for the prompt cure thereof). In April 2016, (a) the 1998 Refunding  
8 Certificates of Participation were defeased and paid in full, in the approximate amount of  
9 \$3.4 million, and (b) the final amount outstanding on the CSWRCB Revenue Bond Claim, in the  
10 approximate amount of \$1.7 million, was repaid.

11 **H. Class 8 – CalPERS Claims**

12 **Impairment and Voting.** Class 8 is not Impaired by this Plan because the treatment of this  
13 Class will not affect the legal, equitable, or contractual rights of the holder of such Claims, and,  
14 accordingly, the holders of the Claims in this Class are not entitled to vote to accept or reject this  
15 Plan.

16 **Treatment.** The CalPERS Claims will be paid in accordance with the Mediator's Order.  
17 Notwithstanding anything in this Plan to the contrary, nothing in this Plan is intended to or does  
18 impair or interfere with the rights of the City and CalPERS under the Mediator's Order, which is  
19 incorporated into this Plan.

20 **I. Class 9 – PARS Claims**

21 **Impairment and Voting.** Class 9 contains the claim of the PARS Participants with respect  
22 to the PARS Plans. Class 9 is Impaired by this Plan because the treatment of this Class will affect  
23 the legal, equitable, or contractual rights of the holders of the Claims, and, accordingly, the holders  
24 of the Claims in this Class are entitled to vote to accept or reject this Plan.

25 **Treatment.** The Class 9 PARS Claims shall be treated in accordance with the PARS  
26 Settlement, a copy of which is attached to the Appendix. In accordance with the PARS Settlement,  
27 the PARS Plans will be rejected, and the City will waive any and all claims to the funds held within  
28 the PARS Trust and the 415 Trust as of the date of termination of the PARS Plans, (ii) the amounts

1 remaining in the PARS Trust and the 415 Trust will be distributed to the PARS Participants pursuant  
2 to agreed-upon allocations, and the City will endeavor to make each such distributions in a manner  
3 that will minimize adverse tax consequences for each PARS Participant, (iii) the City will make a  
4 distribution of \$290,000.00 on the later of the Effective Date or July 5, 2017, and a distribution  
5 \$290,000.00 on the later of the Effective Date or July 5, 2018, in each case to the PARS Participants  
6 pursuant to agreed-upon allocations, and (iv) the City will be discharged from any and all obligations  
7 to further fund any PARS Plan or to make any other distributions on account of the PARS Claims.  
8 The Class 9 Claims are Impaired and the holders of the Class 9 Claims are entitled to vote the  
9 Claims to accept or reject the Plan.

10 **J. Class 10 – Consenting Union Claims**

11 **Impairment and Voting.** Class 10 is Impaired by this Plan because the treatment of this  
12 Class will affect the legal, equitable, or contractual rights of the holders of the Claims, and,  
13 accordingly, the holders of the Claims in this Class are entitled to vote to accept or reject this Plan.

14 **Treatment.** Upon reaching agreement with a union representing City employees on the  
15 terms of a new or modified memorandum of understanding or similar agreement, such agreement  
16 will be reflected in a Plan Document. The Claims of the employees and the formally recognized  
17 bargaining agent that are, by agreement, discharged under this Plan, will be included in Class 13  
18 General Unsecured Claims and will be treated accordingly. Each of the City’s settlements with the  
19 Consenting Unions (other than with the SBCPF and Fire Management) contain the following  
20 provisions:

- 21 • the MOU will become null and void and of no further effect if the Plan is not  
22 confirmed;
- 23 • the Confirmation Order (approving the Plan) shall provide for approval of the  
24 settlement and, where applicable, the modified or new Memorandum of  
25 Understanding (“MOU”); and
- 26 • all claims of the union and its members with respect to wages, pensions (including  
27 implementation of cost sharing and elimination of the employer paid member  
28 contribution (“EPMC”) benefit, other benefits and other terms and conditions of

1 employment that arose prior to the date of the confirmation of the Plan, including,  
2 without limitations, all claims arising from the City's changes to the terms and  
3 conditions of employment and/or rejection or the prior MOU (collectively the "union  
4 claims"), shall be treated as general unsecured claims under the Plan, and the City and  
5 its officers shall be discharged from such union claims upon confirmation of the Plan;  
6 provided, however, that any claims arising under the settlement or MOU after it is  
7 executed by the City and the union (*e.g.* grievances) shall not be discharged as long as  
8 (a) the union complies with the terms of the MOU, and (b) the Bankruptcy Court  
9 confirms the Plan; and

- 10 • the union and the City shall agree on the amount of the union claims and the union  
11 shall vote the union claims as Class 13 General Unsecured Claims in support of the  
12 Plan.

13 The Class 10 Consenting Union Claims are General Unsecured Claims and shall be treated as part of  
14 Class 13 General Unsecured Claims for all purposes, including for voting on the Plan and payment  
15 on the claims

16 **K. Class 11 – Retiree Health Benefit Claims**

17 **Impairment and Voting.** Class 11 is Impaired by this Plan because the treatment of this  
18 Class will affect the legal, equitable, or contractual rights of the holders of the Claims, and,  
19 accordingly, the holders of the Claims in this Class are entitled to vote to accept or reject this Plan.

20 **Treatment.** The holders of the Retiree Health Benefit Claims will receive the rights and  
21 benefits set forth in the Retiree Settlement, **including that their pension benefits will not be**  
22 **modified**, but retiree health benefits will be modified, in accordance with the procedures  
23 implemented by the City on January 1, 2015. The Retiree Health Care Claims are the claims of  
24 retirees based upon the reduction in retiree health benefits. The Class 11 Retiree Health Benefit  
25 Claims are General Unsecured Claims and shall be treated as part of Class 13 General Unsecured  
26 Claims for all purposes, including for voting on the Plan and payment on the claims.

1           **L.       Class 12 – POB Claims**

2           **Impairment and Voting.** Class 12 is Impaired by this Plan because the treatment of this  
3 Class will affect the legal, equitable, or contractual rights of the holders of the Claims. Accordingly,  
4 the holders of Claims in this Class are entitled to vote to accept or reject this Plan.

5           **Treatment.** Class 12 is comprised of Claims held by the holders of the outstanding POBs  
6 issued by the City in 2005. Under the Plan, the POB Creditors will be paid in accordance with the  
7 POB Settlement Agreement, which was entered into between the City and the POB Creditors in  
8 March 2016. Pursuant to the terms of that settlement, under the Plan, the City will make installment  
9 payments over a thirty-year term, starting one year after the City’s chapter 9 plan is confirmed and  
10 goes effective. The City will make payments of \$1.6 to \$2.5 million per fiscal year until 2046  
11 instead of the \$3.3 million to \$4.7 million per fiscal year owed under the terms of the 2005 pension  
12 bond agreement. The entirety of the POB Settlement Agreement is deemed incorporated into the  
13 Plan and the Confirmation Order shall expressly approve the POB Settlement Agreement.

14           **M.       Class 13 – General Unsecured Claims**

15           **Impairment and Voting.** Class 13 General Unsecured Claims include all claims except  
16 Administrative Claims, Professional Claims, Secured Claims, CalPERS Claims, POB Claims, Class  
17 9 PARS Claims, Convenience Class Claims, those Claims payable from a Restricted Fund, and those  
18 Claims relating to the 1996 Refunding Bonds or the 1999 Refunding Certificates of Participation.  
19 General Unsecured Claims includes, without limitation, the SBCPF General Unsecured Claim,  
20 Retiree Health Benefit Claims, Consenting Union Claims, Employee Wage and Benefit Claims,  
21 Contract Rejection Claims, Litigation Claims, Other Post-petition Claims, all Claims of pre-petition  
22 vendors and service providers to the City, and unsecured and/or deficiency portion, if any, of the  
23 claims of the holders of the Claims in Classes 1 through 6. As a result of the settlements that the  
24 City has entered into with the official Retiree Committee and with each of the unions representing  
25 City employees, the Class 10 Consenting Union Claims and Class 11 Retiree Health Benefit Claims  
26 are fully included in this Class 13 General Unsecured Claims for all purposes, including voting on  
27 the Plan and claim treatment under the Plan. Class 13 is Impaired by this Plan because the treatment  
28

1 of this Class will affect the legal, equitable, or contractual rights of the holders of the Claims.

2 Accordingly, the holders of Claims in this Class are entitled to vote to accept or reject this Plan.

3 **Treatment.** On the Effective Date, or as soon as reasonably practicable after the Effective  
4 Date, Holders of Allowed Class 13 Claims will receive a distribution equal to 1% of their Allowed  
5 General Unsecured Claims.

6 **N. Class 14 – Convenience Class Claims**

7 **Impairment and Voting.** Class 14 is Impaired by this Plan because the treatment of this  
8 Class will affect the legal, equitable, or contractual rights of the holders of the Claims, and,  
9 accordingly, the holders of the Claims in this Class are entitled to vote to accept or reject this Plan.

10 **Treatment.** Within 30 days after the Effective Date, each holder of an Allowed  
11 Convenience Class Claim will receive the lesser of the Allowed amount of the holder’s Allowed  
12 Convenience Class Claim or \$100 at the election of the holder of the Allowed Convenience Class  
13 Claim.

14 **V. ACCEPTANCE OR REJECTION; CRAMDOWN**

15 **A. Voting of Claims.**

16 Each holder of an Allowed Claim classified into the following Classes shall be entitled to  
17 vote each such Claim to accept or reject this Plan: Class 1 – 1996 Refunding Bonds Claims; Class 2  
18 – 1999 Refunding Certificates of Participation Claims; Class 5 – Police Station AC Financing  
19 Claims; Class 6 – Burgess Claims; Class 9 – PARS Claims; Class 10 – Consenting Union Claims;  
20 Class 11 – Retiree Health Benefit Claims; Class 12 – POB Claims; Class 13 – General Unsecured  
21 Claims; and Class 14 – Convenience Class Claims.

22 With respect to any Class of Impaired Claims that fails to accept this Plan, the City, as  
23 proponent of this Plan, will request that the Bankruptcy Court nonetheless confirm this Plan pursuant  
24 to the so-called “cramdown” powers set forth in Bankruptcy Code section 1129(b).

25 **VI. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

26 **A. Assumption of Executory Contracts and Unexpired Leases.**

27 Upon the Effective Date, without the need to file any motions, the City will assume (a) all of  
28 the executory contracts and unexpired leases listed in the “List of Assumed Executory Contracts and

1 Unexpired Leases” and in the “List of Assumed and Assigned Executory Contracts and Unexpired  
2 Leases,” (b) those contracts and leases specifically provided for in this Plan as being assumed or  
3 assumed and assigned, including but not limited to Franchise Agreements that have not been reduced  
4 to ordinance, the leases and contracts addressed in Classes 1, 2 and 7 of this Plan, (c) all contracts  
5 and leases of the City’s Water Department, and (d) to the extent it is an executory contract governed  
6 by the provisions of Section 365 of the Bankruptcy Code, the BICEP Agreement. The City shall be  
7 entitled to modify or supplement the List of Assumed Executory Contracts and Unexpired Leases  
8 and the List of Assumed and Assigned Executory Contracts and Unexpired Leases any time up to  
9 seven days prior to the Confirmation Hearing. The City will not assume those unexpired leases and  
10 executory contracts specified in Section VI.C. below to be rejected.

11 **B. Cure Payments.**

12 The Bankruptcy Court shall resolve any and all disputes regarding: (i) the amount of any  
13 cure payment to be made in connection with the assumption of any contract or lease; (ii) the ability  
14 of the City to provide “adequate assurance of future performance” within the meaning of Bankruptcy  
15 Code section 365 under the contract or lease to be assumed; and (iii) any other matter pertaining to  
16 such assumption and assignment. Any party to an executory contract or unexpired lease that is to be  
17 assumed, or assumed and assigned, by the City that asserts that any payment or other performance is  
18 due as a condition to the proposed assumption shall file with the Bankruptcy Court and serve upon  
19 the City a written statement and accompanying declaration in support thereof, specifying the basis  
20 for its Claim on the date that objections to confirmation of this Plan are due, September 2, 2016.  
21 The failure to timely file and serve such a statement in accordance with this Plan shall be deemed to  
22 be a waiver of any and all objections to the proposed assumption and of any claim for cure amounts  
23 of the agreement at issue.

24 **C. Rejection of Executory Contracts and Unexpired Leases.**

25 Upon the Effective Date, without the need to file any motions, the following leases and  
26 contracts are rejected: (a) the contracts and leases listed in the “List of Rejected Executory Contracts  
27 and Unexpired Leases,” (b) any other contracts and leases expressly provided for under the terms of  
28 this Plan as rejected, (c) and all other contracts and leases not assumed pursuant to Section VI.A. of

1 this Plan. For the avoidance of doubt, none of the following contracts and leases are rejected:

2 (a) those contracts and leases related to the 1996 Refunding Bonds Agreements (City Hall), the 1999  
3 Refunding Certificates of Participation Agreements (Police Station/201 North E Street/South Valle)  
4 and the 1998 Refunding Certificates of Participation Agreements (Sewer) (the assumption of which  
5 are addressed in Classes 1, 2 and 7 of this Plan); (b) the contracts and leases of the City's Water  
6 Department; and (c) the SBCPF Settlement Agreement.

7 The City shall be entitled to modify or supplement the List of Rejected Executory Contracts  
8 and Unexpired Leases any time up to 7 days prior to the Confirmation Hearing.

9 **D. Claims Arising From Rejection.**

10 Proofs of claim arising from the rejection of executory contracts or unexpired leases must be  
11 filed with the Bankruptcy Court and served on the City no later than 30 days after the Effective Date.  
12 Any Claim for rejection damages for which a proof of claim is not filed and served within such time  
13 will be forever barred and shall not be enforceable against the City or its assets, properties, or  
14 interests in property. All rejection damage claims will be treated as a Claim in Class 13 (General  
15 Unsecured Claims).

16 **E. Modifications to Assumption, Assignment or**  
17 **Rejection of Executory Contracts and Unexpired Leases.**

18 Any time within 180 days after the Effective Date, the City may file a motion to add or  
19 remove contracts or leases to or from the List of Assumed and Assigned Executory Contracts and  
20 Unexpired Leases and the List of Rejected Executory Contracts and Unexpired Leases or otherwise  
21 modify any decision to assume, assign or reject any executory contract or unexpired lease, upon  
22 notice to the counterparty. The Bankruptcy Court may grant such motion for cause shown, including  
23 that no opposition to the motion was filed.

24 **VII. EXECUTION AND IMPLEMENTATION OF THE PLAN**

25 **A. In General.**

26 On or as soon as reasonably possible after the Effective Date, the City will execute all Plan  
27 Documents requiring execution, deliver same to the counterparties to such Plan Documents and  
28 perform thereunder.

1 On and after the Effective Date, the City will continue to operate pursuant to the Charter, the  
2 California Constitution, and other applicable laws.

3 On and after the Effective Date, the City will take all actions required under the ADR  
4 Procedures, provided, however, that the settlement of any Claims pursuant to the ADR Procedures  
5 will be subject to the required consents, if any, of any applicable insurance carrier.

6 **B. Means for Implementation of the Plan.**

7 The implementation of the Plan will be accomplished by the City:

- 8 • implementing its settlements with CalPERS, the Retiree Committee, the SBCPF, the  
9 Consenting Unions and the POB Creditors;
- 10 • performing its Plan obligations to the other Creditors whose Claims are Impaired or  
11 Unimpaired under the Plan;
- 12 • complying with the contracts and memoranda of understanding that the City is  
13 entering in connection with the City's annexation into the County Fire District and  
14 the City's contracting out of certain municipal services including to Burrtec; and
- 15 • performing its obligations in good faith under the ADR Procedures to facilitate  
16 settlement of disputed claims.

17 Certain of the critical elements of Plan implementation are discussed in items 1-4 below, and further  
18 discussion is contained in the Disclosure Statement.

19 **1. Alternative Methods of Delivering Municipal Services**

20 A keystone of the Plan is contracting out and/or regionalization of certain municipal services  
21 currently provided by City employees. Municipalities have been contracting for virtually all  
22 municipal services since the 1950s. For a City such as San Bernardino, this approach can generate  
23 economies of scale savings and labor cost savings. Services can be provided by either private sector  
24 service providers or other public agencies, either through a contract or by regionalization.

25 The City has implemented annexation of the City into the County Fire District, and the  
26 County Fire District is providing Fire Services directly to the City's residents. The City also entered  
27 into a contract for solid waste disposal, recycling, sweeping and right-of-way clean-up services with  
28 Burrtec in January 2016.

1 In addition, the other services the City will be considering contracting out include fleet  
2 maintenance, business licensing, engineering, inspections, information technology, graffiti  
3 abatement, traffic signal maintenance, street maintenance, custodial maintenance, code enforcement  
4 and more. Such regionalization or outsourcing will allow the City to achieve both significant  
5 savings and receive additional revenues. While the City has done relatively little contracting in the  
6 past, it has had success with contracting out park maintenance functions in the last several years.  
7 The City believes that utilizing alternative methods to deliver municipal services will have  
8 significant economic and other benefits to the City and its residents.

9 a. **City's Joint Application With the County of**  
10 **San Bernardino to Annex the City into the**  
11 **San Bernardino County Fire Protection District**

12 In April 2015, the City issued a request for proposals to provide Fire Services to the City.  
13 The City received two proposals in response – one from the County Fire District for annexation and  
14 one from Centerra Group, LLC for private contracting of Fire Services. The City also received a  
15 proposal from the Interim Fire Chief for reorganization of the existing Fire Department. The City  
16 hired a consulting firm, Citygate Associates LLC (“Citygate”), to evaluate the proposals and make  
17 recommendations.

18 In August 2015, Citygate completed its evaluation and issued its report entitled “Evaluation  
19 of Fire Service Proposals” (“Citygate Evaluation”). On August 24, 2015, the former City Manager,  
20 Allen Parker, with the assistance of Andrew Belknap of Management Partners and Citygate,  
21 presented their evaluation and recommendations at a regularly noticed meeting of the City’s  
22 Common Council. Both the Citygate Evaluation and the memorandum dated August 24, 2015 to the  
23 Mayor and Common Council from Mr. Parker and Mr. Belknap regarding Annexing to San  
24 Bernardino County Fire Protection District for Fire Service Delivery (“Staff Report”) recommended  
25 that the City move forward with the County Fire District proposal. After hearing and considering  
26 the presentations and public comments made at a five hour August 24, 2015 meeting, the Common  
27 Council approved Resolution No. 2015-195 which authorized: (1) City staff to negotiate with San  
28 Bernardino County and the County Fire District the terms and conditions of annexation and return to  
the Common Council for approval; and (2) the City Manager to negotiate an interim contract for the

1 County Fire District to deliver Fire Services to the City until the annexation is completed and return  
2 to the Common Council for approval. Ultimately, the City and County Fire District decided not to  
3 enter into an interim contract, and proceed only with annexation of the City into the County Fire  
4 District.

5 The County Fire District is a proven and professional provider of the full range of fire and  
6 emergency medical services. The County Fire District currently operates 56 fire stations, serving  
7 unincorporated San Bernardino County and 7 incorporated cities (including the City of Fontana). It  
8 has a total of approximately 865 employees of which 642 are sworn firefighters. By annexation of  
9 the City into the County Fire District, the City will be able to take advantage of two existing County  
10 Fire District stations to serve portions of the City and pool costs for a large number of  
11 administrative, support and specialized services such as management, dispatch, purchasing, fire  
12 prevention, EMS management, hazardous materials response, search and rescue and wildland fire  
13 response.

14 In accordance with Resolution No. 2015-195 and in furtherance of the City's Plan, the City  
15 submitted its certified application to the Local Agency Formation Commission of the County of San  
16 Bernardino ("LAFCO"), a local commission (separate and independent of the County of San  
17 Bernardino's government) empowered under the Cortese-Knox-Hertzberg Local Government  
18 Reorganization Act of 2000 to ensure an orderly and efficient growth pattern and use of land  
19 resources and protect against overlapping governmental jurisdiction within San Bernardino County.

20 In September 2015, the San Bernardino County Board of Supervisors, acting as the  
21 governing body for the County Fire District, adopted a substantially similar resolution to the City's  
22 making the annexation application a joint request from the City and County Fire District. LAFCO  
23 subsequently opened two proposals for governmental reorganization, LAFCO 3198 – reorganization  
24 to include annexation into the County Fire District, its Valley Service Zone and Service Zone FP-5;  
25 and LAFCO 3197 – sphere of influence amendments (expansion) for the County Fire District. After  
26 LAFCO opened the two proposals, the City, as well as several County agencies (Assessor, Registrar  
27 of Voters and Surveyor) provided information necessary to support the reorganization proposal and  
28 the sphere amendment.

1 In October 2015, LAFCO held the Departmental Review Committee Meeting to review both  
2 proposals. Based on the meeting LAFCO issued a determinations letter on October 21 for both  
3 LAFCO 3197 and LAFCO 3198. In response to the determinations letter, the County Fire District  
4 filed a revised Plan of Service and Five Year Financial Forecast on October 28, 2015. The Five  
5 Year Financial Forecast showed a City General Fund property tax transfer revenue requirement  
6 starting at \$20.4 million in FY 2016/17, increasing to \$22.9 million in FY 2020/21. From an  
7 economic standpoint, this result is quite favorable to the City when measured against the financial  
8 projection prepared for the City by Urban Futures as part of the annexation analysis, which showed  
9 City costs for a stand-alone fire department would have a General Fund revenue requirement of from  
10 \$32.9 million to \$36.7 million over the same five year period.

11 Under the County Fire District's Plan of Service, City residents will experience improved  
12 service from a dispatch system which has faster call processing time than is associated with the City  
13 dispatch system, as well as from direct responses from two County Fire stations which are closer to  
14 some sections of the City than City responding stations. County Fire also has more equipment for  
15 delivery of fire services such as water tenders, water rescue boats, heavy equipment for floods or  
16 earth moving, hand crews, ambulance response (in seven areas), additional hazardous materials  
17 response capabilities, and sophisticated urban search and rescue capabilities. Regionalization of fire  
18 services is considered an industry best practice in order to make service delivery more seamless and  
19 to take advantage of economies of scale. Many cities are currently served using an annexation  
20 model, and LAFCO has approved of several annexations into the County Fire District.

21 In January 2016, LAFCO held a public hearing to discuss LAFCO's staff recommendation to  
22 accept the joint City/County annexation application. The application, including County Fire's  
23 proposed service plan, was approved unanimously on January 27, 2016 as set forth in LAFCO  
24 Resolution No. 3211. In February 2016, the 30 day reconsideration period of LAFCO's decision  
25 ended and the Notice of Protest Hearing was issued. On April 21, 2016, LAFCO held the Protest  
26 Hearing and the number of protests received was below 5% for both property owners and registered  
27 voters. Accordingly, the LAFCO Executive Director determined that annexation of the City into the  
28 County Fire District can proceed.

1 Annexation of the City into the County Fire District was implemented on July 1, 2016.  
2 Completing the annexation in time for a July 1, 2016 effective date was crucial to the City's  
3 reorganization efforts. The transition process for current City employees is underway. It is the  
4 City's intention that disruptions to employment, compensation and benefits be kept to a minimum in  
5 connection with the County Fire District taking over the provision of Fire Services. Nonetheless, the  
6 City estimates that annual economic benefits from annexation will be between approximately  
7 \$7.4 million and \$12 million. The City's Financial Model shows that even including certain one-  
8 time transition costs associated with the annexation, the transfer of service responsibility will  
9 improve the City's fiscal position by in excess of \$30 million, and considerably more if deferred  
10 maintenance costs are taken into consideration. Without annexation the projections show that the  
11 City would soon run an annual deficit of up to \$12 million per year. Therefore, successful  
12 annexation is fundamental to restoring the City to solvency.

13 Under annexation, the City will remain responsible for certain "legacy" pension costs. These  
14 legacy pension costs are accounted for in the Financial Model under the line item entitled "Fire's  
15 Legacy CalPERS Pension Cost," and are estimated at approximately \$3.3 million in fiscal year  
16 2016-17 with annual increases up to \$10 million annually in fiscal year 2033-34 for a total of  
17 approximately \$131 million over the term of the Financial Model. The decision to annex into the  
18 County Fire District does not have an impact on these costs because they relate to and must be paid  
19 for the period when the City operated its own Fire Department. Even taking into consideration these  
20 estimated legacy pension costs, the City firmly believes that the increased savings and revenue  
21 improvements to the City from annexation on a net basis (particularly in contrast to the cost to the  
22 City of continuing to fund a stand-alone fire department) will be of significant benefit to the City and  
23 its residents and are critical to the success of the City's Plan.

24 **b. Burrtec Contract for Solid Waste Disposal and Related Services**

25 California cities are increasingly contracting with the private sector for solid waste and  
26 recycling. Today the vast majority of cities in Southern California provide solid waste and recycling  
27 services under a franchise agreement with one or more private companies. The move to private  
28 contractors is justified by the economies of scale available to private companies which serve

1 numerous jurisdictions. These economies are found in several areas including capital acquisition,  
2 fleet maintenance, workers compensation, employee recruitment, safety and training programs,  
3 customer service / billing, technology and management. Recent examples include Hemet which  
4 contracted its solid waste service to CR&R Waste and Recycling Services in 2011, and Newport  
5 Beach which contracted its residential solid waste services (commercial had already been contracted)  
6 to CR&R in 2013. Most cities in the Inland Empire provide these services through contracting with  
7 private companies.

8 With California recycling requirements that have been in place for over 25 years, refuse  
9 haulers gradually have expanded their businesses to include materials sorting, recycling, public  
10 education, and in some cases, street sweeping and other related services, working in partnership with  
11 individual cities and counties. In addition, the more sophisticated companies use specialized routing  
12 systems to reduce travel times and produce and closely monitor work measurements based on their  
13 experience. Given the expertise developed in multiple jurisdictions by these waste companies, and  
14 the economies of scale that larger operations can provide, it is likely that contracting these services  
15 to a private company will result in lower or similar costs to provide the service, plus increased  
16 franchise fees paid to the City's General Fund by the contractor, along with fees paid by the  
17 contractor to the City for an exclusive agreement.

18 In June 2015, the City sent out a request for proposals to contract three of its largest  
19 maintenance services – solid waste and recycling, street sweeping and right-of-way cleanup. These  
20 services are currently performed by approximately 100 employees in the City's Public Works  
21 Department. Four companies submitted proposals, all of which are active in solid waste collection  
22 and street sweeping in the Southern California area. An evaluation team of consultants with  
23 experience in contracting and solid waste evaluated the companies' financial statements, reviewed  
24 the technical, financial proposals and references, and provided a recommendation to the City  
25 Manager. In November 2015, a recommendation was made to the Common Council, the Common  
26 Council selected Burrtec and then directed staff to negotiate a ten-year agreement. In January 2016,  
27 the negotiations with Burrtec were completed and the Common Council has approved the contract  
28 between the City and Burrtec as Resolution No. 2016-10, a copy which is included as Exhibit 29 in

1 the Appendix. A copy of the Burrtec Contract is included as Exhibit 30 in the Appendix. As a  
2 result, the City will be able to offer the same or better level of services than the City currently  
3 provides with substantial economic benefit to the City.

4 In connection with the Burrtec Contract, the City has received or expects to receive these  
5 benefits: (1) a one-time franchise fee payment of \$5 million within 60 days of execution of an  
6 agreement; (2) franchise fees of \$2.8 million per year above current levels which the City estimates  
7 will net a cumulative annual revenue stream of approximately \$5 million to \$7.6 million per year  
8 over the 20-year term of the Financial Model as reflected in line item “New Waste Management  
9 Franchise” (which amounts to approximately \$106.9 million in revenues); and (3) net revenue from  
10 the sale of refuse vehicles, carts, bins, and containers of \$9,454,000 after vehicle leases are paid (the  
11 City estimates gross sale values of \$12.225 million, which less of remaining lease payments, will net  
12 the City approximately \$9.45 million of this amount – an estimate that is included in the Financial  
13 Model under the line item, “Proceeds from IW Vehicle Sale & CIP”). In addition, Burrtec has  
14 agreed to reimburse the City for “wear and tear” costs on the City’s streets over the course of the  
15 Financial Model (which costs are currently reflected in the line item “Proceeds from IW Vehicle  
16 Sale & CIP”).

17 **c. Fleet Maintenance**

18 The City has been financially unable to replace its vehicles and equipment in accordance  
19 with industry standards or provide an effective fleet maintenance operation. About 479 units,  
20 representing 56% of the City’s total fleet, are currently due or past due for replacement at an  
21 estimated cost of more than \$41 million. The aging fleet has resulted in a significant burden on the  
22 understaffed fleet maintenance employees who must contend with an aging fleet and an inefficient  
23 fleet operation. Deferred fleet maintenance also puts the City at risk for compliance with state  
24 mandated equipment and vehicle inspections. The City is attempting to address this issue through  
25 the transfers of certain heavy equipment to Burrtec as part of its outsourcing efforts, and through  
26 resources directed via the Police Resources Plan (in the form of new fleet vehicles, which the City  
27 intends will alleviate some of the maintenance issues currently faced). The City also anticipates  
28 outsourcing fleet maintenance operations in 2016 to provide the City with increased resources and

1 estimated annual savings of \$400,000 beginning in fiscal year 2016-17 and increasing thereafter to  
 2 about \$600,000 as shown in the line item “Contract Fleet Maintenance” in the Financial Model.

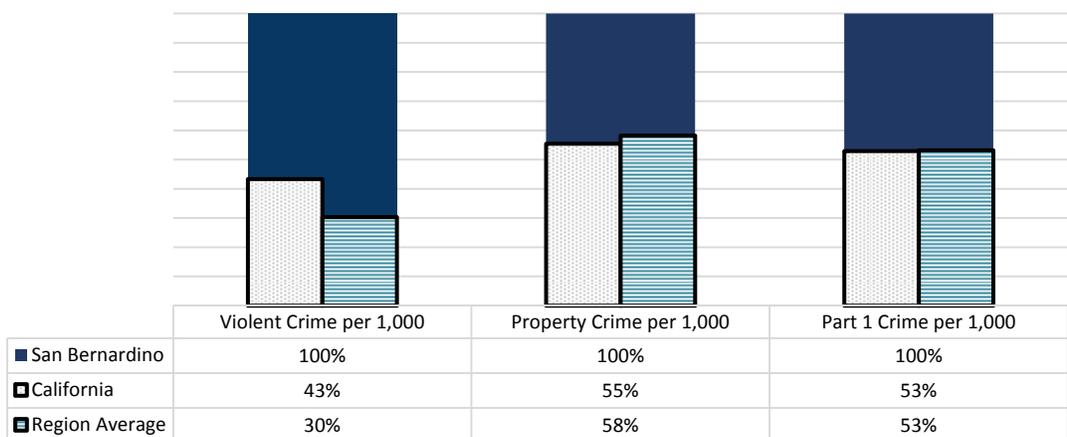
3 **d. Other Contracting Options**

4 There are other areas where the City likely will derive efficiencies from a contract approach.  
 5 Efforts are underway to contract for business license administration, custodial services, graffiti  
 6 abatement and some information technology functions which are anticipated to be completed in  
 7 2016 and 2017. Areas where savings have yet to be identified but might offer benefit include  
 8 engineering, inspection, code enforcement and attorney services, and the City is preparing RFPs and  
 9 implementing an analysis of each option.

10 **2. Police Resources Plan**

11 The primary municipal service provided by the City is for police services. Reducing the  
 12 City’s violent and other crime rates and addressing the City’s perception as a “dangerous” city are  
 13 the most pressing issues facing the City. As shown in the chart below, San Bernardino has more  
 14 than double the violent crime rate as either the surrounding region or the state as a whole. For every  
 15 three violent crimes per 1,000 residents in the region, there are ten such crimes in San Bernardino.

16 *State and Regional Crime Rates Compared to San Bernardino in 2014*



17  
 18  
 19  
 20  
 21  
 22  
 23  
 24  
 25 *Sources: 2015 California Department of Finance; 2014 Federal Bureau of Investigation Crime Reports*  
 26 *Notes: Region average includes large nearby cities: Fontana, Moreno Valley, Rancho Cucamonga, Ontario, Riverside, and Corona.*  
 27 *Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.*

28 San Bernardino’s crime rates are high even when compared to other high-crime cities in California. Of the 63 California cities with populations between 100,000 and 400,000, San

Bernardino has the second highest Part 1 crime rate. The table below provides demographic and crime data for the 10 cities with the highest crime rates within this population range. Notably, San Bernardino also has a significantly lower median household income and a higher percentage of people in poverty than other cities with high rates of crime. People living in poverty are the victims of violent crime at more than twice the rate of high income populations according to a study by the Bureau of Justice Statistics between 2008 and 2014.

*High-Crime Cities in California between 100,000 and 400,000 in population – Demographic Data*

1. <u>City</u>	2015 Population	2014 Part 1 Crimes per 1,000 Residents *	2014 Violent Crimes per 1,000 Residents	2014 Percent Violent Crime of Part 1 Crimes	2013 Median Household Income	2013 Percent of All People in Poverty
Antioch	108,298	46.9	7.8	17%	\$65,254	14.9
Bakersfield	369,505	45.0	4.5	10%	\$56,204	20.4
Berkeley	118,780	46.7	3.6	8%	\$63,312	18.7
Concord	126,069	45.0	3.7	8%	\$65,798	12.1
Modesto	209,186	52.3	8.5	16%	\$47,060	20.8
Richmond	107,346	48.0	7.9	16%	\$54,589	18.5
<b>San Bernardino</b>	<b>213,933</b>	<b>53.7</b>	<b>9.9</b>	<b>19%</b>	<b>\$38,385</b>	<b>32.4</b>
Stockton	306,999	56.1	13.0	23%	\$46,831	24.3
Vallejo	119,683	49.8	8.6	17%	\$58,371	17.5
Victorville	121,168	41.6	5.3	13%	\$50,034	25.3
<b>State</b>	<b>38,714,725</b>	<b>28.4*</b>	<b>4.0</b>	<b>14%</b>	<b>\$61,094</b>	<b>15.9</b>

Sources: 2015 California Department of Finance; 2014 Federal Bureau of Investigation Crime Reports; 2009-2013 American Community Survey Estimates

Note: Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

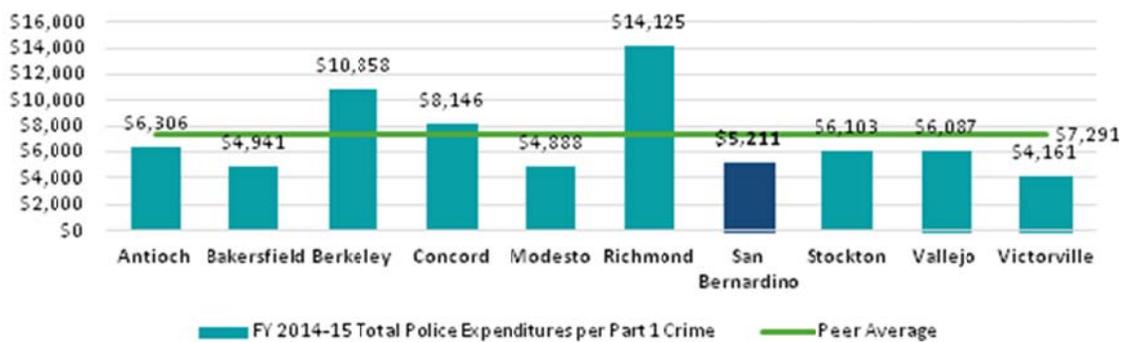
San Bernardino’s rates of crime also top national averages. San Bernardino has 53.7 Part 1 crimes per 1,000 residents and 9.9 violent crimes per 1,000 residents, significantly higher than the respective national rates of 29.6 and 3.7, according to the 2014 Crime Reports by the Federal Bureau of Investigation.

1 Yet, financial circumstances have forced the City to reduce the size of its Police Department.  
 2 The Police Department’s sworn staffing levels have been in decline steadily since 2009, while crime  
 3 rates remain steady and response times rose to unacceptable levels. The general service impacts can  
 4 be described as follows:

- 5 • Sworn staffing has been reduced from 356 full-time equivalent (FTE) employees in 2008 to
- 6 248 today (30% reduction),
- 7 • Patrol division sworn staffing has been reduced by 25% since 2008,
- 8 • Community policing teams have been scaled back by about 75%,
- 9 • Narcotics enforcement has been reduced by 50% since 2008,
- 10 • Traffic enforcement personnel were reduced by 58% since 2008,
- 11 • Priority 1 average response times increased 76% since 2008, and
- 12 • Almost 36% of patrol vehicles are overdue for replacement.

13 Unless residents, business owners and visitors feel safe in the City, efforts to attract economic  
 14 development and new residents will be significantly hampered. Currently, funding for the Police  
 15 Department falls well below the average compared with other similarly sized California cities with  
 16 high rates of crime.

17 *Similar Sized California Cities with Top Crime Rates – Police Expenditure per Part 1 Crime in FY 2014-15*



18  
 19  
 20  
 21  
 22  
 23  
 24 Sources: FY 2014-15 Adopted City Budgets; 2014 Federal Bureau of Investigation Crime Reports  
 25 Note: Part 1 crimes include violent and property crimes as defined by the Federal Bureau of Investigation.

26 The City will have to dedicate significant resources to very specific and measurable elements to  
 27 reduce crime.  
 28

1 To address these issues, the City developed a five-year plan intended to bolster the City’s  
2 police resources and reduce the City’s crime rates (the “Police Resources Plan”) which was  
3 approved by the Common Council in November 2015. A staff report outlining the Police Resources  
4 Plan is included in the Appendix as Exhibit 11. The primary objective of the Police Resources Plan  
5 is to rebuild sworn staffing levels and provide the sworn staff with the tools (largely technology,  
6 equipment and vehicles) needed to do the job as follows:

- 7 • Increase staffing levels of the City’s Police Department to enable the Police  
8 Department to reduce call response time sand be able to build deeper relationships in the  
9 community;
- 10 • Invest in the Police Department technology (to replace otherwise aging and deficient  
11 systems, to improve efficiency and effectiveness and to ensure business continuity and access to  
12 critical systems); and
- 13 • Fleet replacement (to replace the Police Department’s largely aging fleet - with more  
14 than half of all police cars 10 years or older and roughly a fifth with more than 100,000 miles).  
15 The Police Resources Plan also seeks to increase community engagement in strategies to reduce  
16 crime and increase economic development opportunities.

17 With respect to staffing, the table below provides a history of authorized sworn police  
18 staffing levels over the last 10 years. The City’s sworn police staffing was at its peak of 356  
19 positions in 2009. Since that time the number of sworn positions has decreased by almost 30%. Also,  
20 the number of actual positions (those filled) is at the lowest level in a decade.

21 *History of Sworn Police Staffing Levels*

1. Fiscal Year	Budgeted	Year-End Actual
FY 2005-06	312	311
FY 2006-07	330	323
FY 2007-08	346	346
FY 2008-09	356	324
FY 2009-10	350	326
FY 2010-11	350	348

<b>FY 2011-12</b>	<b>305</b>	<b>292</b>
<b>FY 2012-13</b>	281	272
<b>FY 2013-14</b>	260	234
<b>FY 2014-15</b>	248	229
<b>FY 2015-16</b>	248	214 (November)
<b>Percent Change FY 2011 to 16</b>	<b>-29%</b>	<b>-39%</b>

*Source: San Bernardino Police Department*

Ideally, the Police Resources Plan will result in 89 new positions, for an overall 29% increase in sworn positions. Although still below the peak staffing level of 356 in fiscal year 2009, this increase will enable the department to deliver its core service mission, reduce call response times, and provide the depth required to engage with the community on a path to improving the overall quality of life. Increased staffing would also have a significant impact on the ability of the department to redeploy officers and other staff to address those critical community issues related to gangs, illegal narcotics, prostitution, and traffic enforcement. Increasing both sworn and civilian staffing levels will provide renewed capacity to the department to be able to reconstitute or expand some of the specialty units designed to address these issues and reduce associated crime.

The City will only be able to fund a fraction of the Police Resources Plan with existing revenues. To address the staffing and technology goals identified above, the City will spend approximately \$17.6 million over the next five year period, with a total expenditure of \$91 million over the 20 year term of the Financial Model as reflected in the “Police Services Master Plan” line item. Over the horizon of the Financial Model, the City projects it can afford only about 40% of what is necessary to fund the Police Resources Plan.

With respect to police fleet vehicles, more than half of the City’s Police Department vehicles require replacement, as reflected in the List of City Non-Fire Vehicles included in the Appendix as Exhibit 15. The City’s Financial Model allocates approximately \$23.4 million over the 20 year term for new police vehicles as reflected in the Capital Investment-Fleet-Police line item to address the third goal of Police Resources Plan.

The Police Resources Plan addresses some of the most critical needs for the Police Department in its fight against rising crime rates. While the cost to the City of implementing the

1 Police Resources Plan is not insignificant, research has shown that reductions in crime rates can lead  
2 to higher tax revenues and increased economic development. Thus, the City's plan to upgrade the  
3 Police Department's infrastructure (staffing, IT and fleet) will have long term economic benefits for  
4 the City.

5 **3. Necessary Reinvestment in City Infrastructure**

6 **a. Street and Road Repair Proposal**

7 As set forth on the Street Repairs Report included in the Appendix as Exhibit 9, the City's  
8 right-of-way capital maintenance backlog exceeds \$180 million. To fund the much needed right-of-  
9 way maintenance needs, the City of San Bernardino will utilize both restricted funding sources  
10 (Measure I and State Gas Tax Funds) as well as General Fund resources. The City's Financial Model  
11 allocates only about \$7.1 million over 20-years to address a current need exceeding \$180 million.  
12 Even though the addition of General Fund monies increases the funding available over the next 20-  
13 years, the City will still be able to fund only a small fraction of the current need (as reflected at line  
14 "Capital Investment – Public Right-of-Way" of the Financial Model and in the Street Repairs Plan.  
15 While not sufficient to fully address all of the City's street repair and maintenance needs, the  
16 additional application of General Funds is at least anticipated to reduce the numbers of streets within  
17 the City that will require rehabilitation and/or full reconstruction. Because the City's costs for  
18 backlogged capital maintenance will continue to grow over the 20-year funding term, the funding  
19 percentage is anticipated to decline annually as costs for repairs go up. As a result, the City will  
20 need to find additional sources for funding in the coming years.

21 San Bernardino Associated Governments ("SANBAG") is the council of governments and  
22 transportation planning agency for San Bernardino County. Among other things, SANBAG  
23 administers Measure I, the half-cent transportation sales tax approved by county voters in  
24 1989. Pursuant to a letter agreement dated January 14, 2016, by and between the City and SANBAG  
25 (the "SANBAG Agreement"): (a) SANBAG is authorized to withhold, and has been withholding,  
26 certain Measure I funds until the City is in compliance with its obligations under Measure I and its  
27 requirements; and (b) such authorized withholding is without the need to seek relief under the  
28 Bankruptcy Code, among other things. The Plan and the confirmation of the Plan shall not affect,

1 impair or modify, in any way, SANBAG's rights under the SANBAG Agreement, including the  
2 power to continue to withhold funds until the City is in compliance with its obligations under  
3 Measure I and its requirements, and the Confirmation Order shall so expressly provide.

4 **b. Outdated Information Technology (IT) Systems Upgrade**

5 Since the early years of the Great Recession, the City eliminated funding for Information  
6 Technology (IT) capital requirements. In recent years, the City has allocated funds to replace only  
7 those systems which have failed, but continues to risk other failures due to lack of funding  
8 availability. The lack of funding availability for IT infrastructure has left the City with operational  
9 systems that are long past their useful life and are beyond manufacture support and/or warranty.  
10 More concerning is the lack of a back-up system if the City's network crashes and is unrecoverable.  
11 To address these basic service level issues, the City is allocating approximately \$11.5 million over  
12 the term of the Financial Model as reflected in the line item Capital Investment – IT Infrastructure.

13 **c. Replacement of Aging Fleet of Vehicles**

14 Similar to other capital equipment and maintenance needs, the City's vehicle fleet has not  
15 received adequate funding for replacement vehicles for many years. Much of the City's fleet is well  
16 beyond its useful life and has become costly to maintain. Some of the City's fleet needs have been  
17 resolved through contracting of solid waste and other services and annexation into the County Fire  
18 District. The City will no longer need to fund vehicles associated with fire service and emergency  
19 medical services due to the successful annexation into the County Fire District; and integrated waste,  
20 recycling, street sweeping, right-of-way clean-up and park maintenance fleet needs have been met  
21 through contracting out these municipal services. However, the City still must finance the  
22 replacement of essential vehicles necessary to provide basic services such as facility maintenance,  
23 public works, animal control, code enforcement, and planning and building inspection. The City has  
24 allocated \$25.3 million for general purpose vehicles as reflected in the Capital Investment-Fleet-  
25 Other line item over the term of the Financial Model.

26 **d. Seismic Retrofit of City Hall**

27 The City has considered seismic retrofitting of City Hall since 2002. The City Hall site is  
28 within 4 miles of the San Andreas Fault which is capable of producing a magnitude 8.0 earthquake.

1 The next dominant fault is the San Jacinto at a distance of 2 miles capable of producing a magnitude  
2 7.5 earthquake. These faults make the City of San Bernardino, including the location of City Hall,  
3 one of the most seismically hazardous locations in California. On any business day, more than 200  
4 people on average occupy City Hall. The City Hall building is a 7-story structure with one  
5 subterranean level reinforced concrete structure designed in 1970. It is constructed with lightweight  
6 concrete slabs, beams and columns and to the 1968 UBC building code. However, the 1971 San  
7 Fernando earthquake demonstrated vulnerability of this type of construction to collapse. Starting  
8 with the 1973 Building Code, this type of construction was prohibited in areas with high and  
9 moderate seismic potential.

10 In 2002, IDS performed work on the seismic strengthening project of the City Hall parking  
11 structure. While performing this work, IDS reported to the City that the building had sustained  
12 structural damage which had occurred during the Landers earthquake of 2002. Subsequently, the  
13 City solicited proposals from earthquake engineering consultants to perform a seismic evaluation of  
14 the building, but due to funding constraints, the City did not proceed at that time with the  
15 evaluations. In 2007, URS Corporation was retained by the City to perform a seismic evaluation of  
16 City Hall. Based on the review and soil testing under City Hall, URS' review confirmed that the  
17 building needed seismic retrofitting.

18 In July 2015, the City developed and sent out a Request for Qualifications (RFQ) to  
19 architects and large contractors who have successfully completed large-scale seismic retrofits for  
20 municipalities, universities and other public entities while maintaining the design integrity of their  
21 buildings. The City received statements of qualifications and project estimates from five firms.  
22 Following a review of the proposals received, the IDS Group was selected to perform the work. The  
23 work requested consists of performing a detailed analysis to pinpoint the problem areas and to  
24 recommend a retrofit strategy for City Hall, identify additional professional assistance that will be  
25 required for implementation, and estimate associated construction costs and schedule. The options  
26 for continuity of City operations during the retrofitting process will also be considered because the  
27 seismic retrofit will require all of the employees as well as the furnishings, equipment and  
28

1 infrastructure necessary for those employees to perform their job duties to move to another building  
2 during the work required to complete the retrofit.

3 IDS Group's work was recently completed and the City Hall seismic retrofit is projected to  
4 cost \$20 million. The Financial Model assumes a \$20 million financing for the seismic retrofit costs,  
5 equal to an annual debt service of \$1.7 million, and these costs are included in the Financial Model  
6 in the Capital Investment – Buildings & Fixtures line item.

#### 7 **4. City Charter Reform**

8 The City historically has experienced a wide range of operational and other problems that  
9 have adverse economic impacts due to the existing Charter structure. As one example, the Charter  
10 specifies that both primary and general elections for City officers are to be held at times other than  
11 the nominal November general election in numbered years. As a result, the City cannot consolidate  
12 its elections with most State and Federal elections. This costs the City at least \$270,000 more per  
13 election cycle because costs cannot be shared. It also diminishes voter turnout.

14 The Mayor and Common Council established the Volunteer Citizen-Based Charter  
15 Committee ("Charter Committee") in March 2014. The Charter Committee identified the Charter as  
16 a barrier to efficient and effective government because it is overly complex, hard to understand, and  
17 contains elements that are inconsistent with best practices for modern municipal government. The  
18 Charter Committee worked to develop recommendations for a new or substantially revised charter  
19 that reflects the principles of good governance and meets the City's needs. The Charter Committee  
20 has met approximately twice per month since May 2015 with the goal of providing  
21 recommendations to the Mayor and Common Council by May 2016, and has sought public input and  
22 engaged in community outreach efforts through public forums.

23 On December 29, 2015 the Charter Committee completed its work on the charter skeleton.  
24 The charter skeleton is an outline of the key elements, ideas and principles to be addressed in the  
25 City's charter, including an overall governance structure. In order to recommend a charter that  
26 reflects best practices consistent with modern municipal governance, the Charter Committee decided  
27 to propose a completely new charter instead of recommending numerous amendments to the existing  
28

1 charter. The City intends to place a proposed new charter before the City's voters on the November  
2 2016 ballot.

3 The Charter Committee's preliminary recommendations for the charter result in a governance  
4 structure that looks fundamentally different than the existing governance structure. It shows an  
5 organizational structure with greater clarity in roles, responsibilities and reporting relationships.  
6 Perhaps most importantly, the City Manager is unambiguously responsible for City operations and  
7 management. It removes administrative and management decisions from the Mayor and Common  
8 Council and focuses their role on establishing policies to be carried out by the City Manager and  
9 executive leadership.

10 This structure is consistent with best practices for council-manager forms of government, as  
11 well as the provisions of modern-era charters. Assuming this charter approach is placed on the ballot  
12 by the Mayor and Common Council and approved by the voters, the City will have a governance and  
13 management structure which much more closely approximates the structure in other comparable  
14 California cities. This is of critical importance to the City and its residents because the governance  
15 approach taken by other cities leads to performance which is demonstrably better in terms of the  
16 delivery of municipal services and the maintenance of fiscal solvency than has been the case for the  
17 City under the current system of government. While awaiting Charter reform, the City is operating  
18 under the Operating Practices for Good Government protocol the City adopted which streamlines  
19 decision making, increases efficiency and provides for better accountability. The City expects that  
20 Charter reform will result in streamlined operations, increased efficiency and improved City  
21 government accountability. The City's Plan is not conditioned upon approval of any Charter  
22 reforms, and the City's Financial Model and feasibility analysis do not assume or require that any  
23 Charter reforms will be implemented.

## 24 **5. Revenue Enhancement Measures**

25 While revenue enhancement is severely constrained under California law, there are a number  
26 of best practices which can be implemented to generate revenues. The City has evaluated  
27 approximately 14 additional revenue sources (many of which require voter approval) and the  
28 Financial Model contemplates implementation of various new fee adjustments. In 2015, the City

1 implemented increases to the cost allocation structure for the water, sewer treatment and sewer  
2 collection enterprise funds. The City's fire service annexation application requested annexation into  
3 a service zone with an approximate \$148 per parcel annual fee, which would generate new revenue  
4 of approximately \$7.8 million for Fire Services. The City also negotiated a solid waste management  
5 franchise fee.

6 Many measures the City considered for purposes of raising revenues have been rejected  
7 because they would not be realistically feasible to implement. In light of the very low income levels  
8 among a substantial percentage of the City's residents, the City faces significant hurdles in pursuing  
9 voter approved tax measures. The City remains the poorest community of its size in California, and  
10 it has grown progressively poorer over the past decades. According to the latest U.S. Census Bureau  
11 data: the per capita income of City residents is \$14,879, compared to a state average of \$29,527; the  
12 median household income in the City is \$38,385, compared to a state average of \$61,094; and the  
13 percentage of City residents living below poverty level is 32.4%, compared to a state wide average  
14 of 15.9%. The median value of owner occupied housing units in the City is \$152,800 compared to a  
15 state average of \$366,400.

16 Compounding the severe poverty is the City's relatively low population growth rate. Over  
17 the past 25 years, the City had a compound annual growth rate of 1%, and over the last five years the  
18 compound annual growth rate was 0.25%. The City's inability to provide a basic level of municipal  
19 services only exacerbates the slow growth rate. Until the City can restore a decent level of  
20 municipal services to attract new residents, new population growth is expected to continue to be in  
21 the poorer population sectors of the City where the demand for City services is even greater.

22 A summary of key potential revenue enhancement options the City considered is set forth  
23 below.

24 **a. Measure Z Sales Tax Reauthorization**

25 The City is working towards reauthorization of the Measure Z sales tax in 2021, which  
26 requires voter approval. The City projects that reauthorization of the Measure Z sales tax will lead  
27 to estimated revenues of between \$8.7 million and \$12.8 million each year between fiscal year 2021  
28 through fiscal year 2034 for a total of approximately \$134.7 million. Other than Measure Z, the City

1 considered but decided against further sales tax increases at this time. Sales tax in the City is already  
2 among the highest in the region, and an increase would only unduly burden the City's residents who  
3 are among the poorest in California. City officials reasonably determined that the residents are not  
4 financially capable at this time of carrying a heavier sales tax load in addition to the other revenue  
5 measures that will be implemented in connection with the Plan.

6 **b. Cost Allocation Revisions for Enterprise Funds**

7 Following the City's plans to restructure its operations for service delivery efficiencies, it  
8 was necessary to create a new cost allocation strategy which allowed the City to recover costs  
9 associated with general administrative and public safety services. Such cost allocation provides the  
10 City an equitable return for services, while allowing the City to continue to receive cost allocation  
11 fees from the City's utilities throughout the term of the Financial Model. Implementing this strategy  
12 will ensure the City an increasing cost allocation return for services as the City's cost for general  
13 administration, public safety and right-of-way maintenance increase during the term of the Financial  
14 Model. Specifically, the Financial Model (at line items "Transfers In – Water Fund," Transfers In –  
15 Sewer Treatment" and "Transfers In – Sewer Collection") assumes transfers into the General Fund  
16 from the water, sewer treatment and sewer collection enterprise funds of a total of almost \$4 million  
17 in Fiscal Year ("FY") 2015-16 growing to almost \$6.9 million in FY 2033-34 for a total of  
18 approximately \$109 million over the term of the Financial Model.

19 **c. Water/Sewer Utilities Fees**

20 The City is implementing new water/sewer utility rate increases in connection with an  
21 agreement adopted between the City and the City's Water Department which will provide the City  
22 with additional revenue.

23 **d. Other Opportunities Considered**

24 The City considered additional opportunities to improve revenues from existing sources and  
25 generate revenue from new sources such as implementing: (1) a raise in the existing Utility User  
26 Tax, or an application of the tax to additional utilities; (2) a higher Transient Occupancy Tax; (3) a  
27 higher Real Property Transfer Tax; (4) a higher Business License Fee; (5) a 911 Communication  
28 Fee; (6) a Paramedic Subscription Fee; (7) a higher Emergency Response Fee; and (8) a larger

1 Electricity Franchise Fee. However, based on the City's assessment at this time, such sources are  
2 not likely to be successful at this time. This is due primarily to a poor residential community  
3 unlikely to vote for tax or fee increases. Implementing the above taxes and fees would also require  
4 significant time, as well as fundamental management and technology improvements which  
5 separately require a funding investment. As such, the City has determined that the above options are  
6 not financially feasible for the City at this time. In the interim, and as an alternative, the City is  
7 instead focused on seeking to realize additional potential revenue with updated fee and charges  
8 schedules implemented later in 2016, better collection on existing fees and charges, and resource  
9 management, together with the parcel tax being implemented for fire and EMS services as part of  
10 annexation into the County Fire District.

11 **C. Insurance.**

12 The City is self-insured for the first \$1 million of defense costs, settlements and judgments  
13 per bodily injury or personal injury claim. If the amount of judgment or settlement exceeds  
14 \$1 million, the City, as a member of the BICEP, and pursuant to the BICEP Agreement, has  
15 purchased excess liability coverage that is backed by Reinsurance Policies between BICEP and each  
16 of Great American Insurance Company, Wesco Insurance Company and Starr Indemnity & Liability  
17 Co. (and/or other companies that BICEP contracts with for reinsurance). The aggregate effect of the  
18 BICEP Agreement and the Reinsurance Policies is to provide annually up to \$9 million of coverage  
19 per claim and an aggregate \$26 million dollars of coverage for personal liability and bodily injury  
20 claims above the City's \$1 million self-insured retention per claim, subject to the other terms,  
21 conditions and limitations of the BICEP Agreement and the Reinsurance Policies, copies of which  
22 are attached to the Appendix as Exhibit 5.

23 Under the BICEP Agreement, (1) bodily injury means physical injury, emotional distress,  
24 sickness, or disease sustained by a person, including death resulting from any of these at any time;  
25 and (2) personal injury means damages caused by or arising out of one or more of the following:  
26 (a) false arrest, detention or imprisonment, malicious prosecution or abuse of process; (b) wrongful  
27 entry or eviction; (c) publication or utterance of material that slanders or libels a person or  
28 organization or disparages a person's or organization's goods, products or services, or infringement

1 of copyright, title or slogan, or oral or written publication of material that violates a person's right of  
2 privacy; (d) discrimination, other than employment practices, based upon race, religion, nationality,  
3 national origin, color, creed, sex, sexual orientation, handicap, disability, age or employment or  
4 violation of civil rights; and (e) assault and battery.

5 Under paragraphs 6.1 and 6.2 of Exhibit A to the BICEP Agreement, the City is obligated to  
6 provide BICEP with written notice of any claim or occurrence that the BICEP Agreement covers or  
7 potentially covers if, among other things, the claim involves paralysis, brain damage,  
8 dismemberment or death or otherwise has potential damages exposure of at least \$500,000 (which  
9 potential damages exposure includes claimant's attorney's fees, costs and prejudgment interest).  
10 The City in the ordinary course provides notice to BICEP of such claims. Attached to the Disclosure  
11 Statement as Exhibit 6A is a list of claims as to which the City has provided such notice to BICEP  
12 (including claims that do not necessarily meet the criteria of Section 6.1 of Exhibit A to the BICEP  
13 Agreement).

14 Under the Plan, if necessary to preserve its rights and the rights of claimants under the  
15 BICEP Agreement, and solely to the extent that Section 365 of the Bankruptcy Code is applicable to  
16 the BICEP Agreement, the City will assume the BICEP Agreement pursuant to Section 365. In that  
17 event, the Confirmation Order shall contain findings regarding the approval of assumption and the  
18 satisfaction of the cure and adequate assurance requirements of Section 365(b) of the Bankruptcy  
19 Code.

20 Attached to the Appendix as Exhibit 4 are the ADR Procedures that shall be used to liquidate  
21 the claims of claimants holding Litigation Claims as part of the claims allowance procedures. The  
22 City designed the ADR Procedures to substantially reduce the cost to the City and the claimants of  
23 reaching an equitable resolution of the claims. The City intends to make concrete mediation  
24 settlement proposals once the Plan is confirmed and the ADR Procedures apply, and the City will  
25 pay for the costs of the mediators that are used in the ADR Procedures. The ADR Procedures also  
26 provide that, unless otherwise directed by the Bankruptcy Court, after the Effective Date of the Plan  
27 the City shall have the discretion to enter into settlements regarding the allowance and payment of  
28 Litigation Claims without further order of the Bankruptcy Court. The ADR Procedures also provide

1 that BICEP will be a released party in any settlement entered into by the City in respect of any  
2 Litigation Claims.

3 *In connection with solicitation of votes to approve the Plan, the City will provide a separate*  
4 *notice to the holders of Litigation Claims listed in Exhibit 6 to the Appendix that a discussion of*  
5 *the Litigation Claims, the BICEP Agreement and the Reinsurance Policies is contained in Section*  
6 *IV.A.9. of the Disclosure Statement, and that copies of the ADR Procedures, the BICEP*  
7 *Agreement and the Reinsurance Policies are attached as Exhibits 4 and 5 to the Appendix. A*  
8 *more extensive discussion of Litigation Claims and the BICEP Agreement is found in the*  
9 *Disclosure Statement at Section IV.A.9.*

10 **D. Continued Operations**

11 Following the Effective Date, the City will continue to operate under its Charter (subject to  
12 any changes, repeal or amendments pursuant to voter action), the California Constitution, and other  
13 applicable laws. The City will continue to collect real property tax revenues, sales tax revenues, the  
14 user utility tax, and other taxes, fees, and revenues following the Effective Date, spending such  
15 revenues on municipal services. In accordance with existing policies and operational guidelines, the  
16 City will continue to pay ordinary course debt, including, without limitation, Workers'  
17 Compensation Claims (the Uninsured Portion, where the Insured Portion is covered by insurance),  
18 trade and/or vendor claims, and amounts due federal agencies (e.g., HUD, and Environmental  
19 Protection Agency) that provide ongoing funding to the City. In addition, following the Effective  
20 Date, the City will continue to provide Indemnification in accordance with the City's pre-petition  
21 practices (as revised from time to time). The City reserves the right to provide or deny requests or  
22 demands for Indemnification in accordance with its practices.

23 **VIII. RETENTION OF THE CITY'S RIGHTS OF ACTION**

24 All of the City's Rights of Action shall be retained by the City after the Effective Date. The  
25 failure to list in this Plan, Disclosure Statement, the Appendix or any Plan Document any potential  
26 or existing Right of Action retained by the City is not intended to and shall not limit the rights of the  
27 City to pursue any such Right of Action. Unless a Right of Action is expressly waived, relinquished,  
28 released, compromised, or settled in this Plan or otherwise, the City expressly reserves all Rights of

1 Action for later adjudication, and as a result, no preclusion doctrine, including without limitation the  
2 doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial,  
3 equitable, or otherwise), or laches, shall apply to such Rights of Action upon confirmation or  
4 consummation of this Plan or thereafter. Without limiting the foregoing, the City expressly reserves  
5 the right to pursue against any Entity any claims alleged in any lawsuit in which the City is a  
6 defendant or an interested party.

7 **IX. DISTRIBUTIONS**

8 **A. Distribution Agent.**

9 On and after the Effective Date, the City shall act as the Distribution Agent under this Plan.  
10 The City may also retain one or more agents (including Rust Omni) to perform or assist it in  
11 performing the distributions to be made pursuant to this Plan, which agents may serve without bond.  
12 The City may provide reasonable compensation to any such agent(s) without further notice or  
13 Bankruptcy Court approval.

14 **B. Delivery of Distributions.**

15 All distributions to any holder of an Allowed Claim shall be made at the address of such  
16 holder as set forth in the books and records of the City or its agents, unless the City has been notified  
17 by such holder in a writing that contains an address for such holder different from the address  
18 reflected in the City's books and records that is mailed to Rust Consulting/Omni Bankruptcy, 5955  
19 DeSoto Avenue, Suite 100, Woodland Hills, CA 91367 at least two weeks prior to such distribution.  
20 All distributions to Indenture Trustees or similar Entities shall be made in accordance with the  
21 relevant indenture or agreement, as applicable.

22 **C. Distributions of Cash.**

23 Any payment of Cash to be made by the City or its agent pursuant to this Plan shall be made  
24 by check drawn on a domestic bank or by wire transfer, at the sole option of the City.

25 **D. Timeliness of Payments.**

26 Any payments or distributions to be made pursuant to this Plan shall be deemed to be timely  
27 made if made within 30 days after the dates specified in this Plan. Whenever any distribution to be  
28 made under this Plan shall be due on a day that is not a Business Day, such distribution instead shall

1 be made, without interest on such distribution, on the immediately succeeding Business Day, but  
2 shall be deemed to have been timely made on the date due.

3 **E. Compliance with Tax, Withholding, and Reporting Requirements.**

4 The City shall comply with all tax, withholding, reporting, and like requirements imposed on  
5 it by any government unit, and all distributions pursuant to this Plan shall be subject to such  
6 withholding and reporting requirements. In connection with each distribution with respect to which  
7 the filing of an information return (such as Internal Revenue Service Forms W-2, 1099, or 1042) or  
8 withholding is required, the City shall file such information return with the Internal Revenue Service  
9 and provide any required statements in connection therewith to the recipients of such distribution, or  
10 effect any such withholding and deposit all moneys so withheld to the extent required by law. With  
11 respect to any entity from whom a tax identification number, certified tax identification number, or  
12 other tax information that is required by law to avoid withholding has not been received by the City,  
13 the City at its sole option may withhold the amount required and distribute the balance to such entity  
14 or decline to make such distribution until the information is received.

15 **F. Time Bar to Cash Payments.**

16 Checks issued by the City on account of Allowed Claims shall be null and void if not  
17 negotiated within 91 days from and after the date of issuance thereof. Requests for reissuance of any  
18 check shall be made directly to the City by the holder of the Allowed Claim with respect to which  
19 such check originally was issued. Any claim in respect of such a voided check must be made on or  
20 before the second anniversary of the Effective Date. After such date, all Claims in respect of voided  
21 checks will be discharged and forever barred and the City will retain all moneys related thereto.

22 **G. No De Minimis Distributions.**

23 Notwithstanding any other provision of this Plan, no Cash payment of less than \$10 will be  
24 made by the City on account of any Allowed Claim.

25 **H. Distributions of Unclaimed Property.**

26 If any distribution to any holder of a Claim is returned to the City or its agent as  
27 undeliverable, no further distributions shall be made to such holder unless and until the City is  
28 notified in writing of such holder's then-current address. Any unclaimed distributions shall be set

1 aside and maintained by the City. On the first business day after the first anniversary of the Effective  
2 Date and after each subsequent anniversary until all Plan distributions are completed, the City shall  
3 post on its official website a list of unclaimed distributions, together with a schedule that identifies  
4 the name and last-known addresses of the holders of any unclaimed distributions. The City shall not  
5 be required to make any further attempt to locate the holders of any unclaimed distributions. Any  
6 distribution under this Plan that remains unclaimed after 120 days following the date of the first  
7 posting on the website may be deemed by the City not to have been made and, together with any  
8 accrued interest or dividends earned thereon, may, at the City's sole discretion, be transferred to and  
9 vest in the City to be used by the City for any purpose. The City shall not be obligated to make any  
10 further distributions on account of any Claim with respect to which an undeliverable distribution was  
11 made or was to be made, and such Claim shall be treated as a Disallowed Claim. Nothing contained  
12 herein shall affect the discharge of the Claim with respect to which such distribution was to be made,  
13 and the holder of such Claim shall be forever barred from enforcing such Claim against the City or  
14 its assets, estate, properties, or interests in property.

15 **I. No Distributions on Account of Disputed Claims.**

16 Notwithstanding anything to the contrary in this Plan, no distributions shall be made on  
17 account of any part of any Disputed Claim until such Claim becomes Allowed (and then only to the  
18 extent so Allowed). Distributions made after the Effective Date in respect of Claims that were not  
19 Allowed as of the Effective Date (but which later became Allowed) shall be deemed to have been  
20 made as of the Effective Date.

21 **J. Certain Claims to be Expunged.**

22 Any Claim that has been or is hereafter listed in the List of Creditors as contingent,  
23 unliquidated or disputed, and for which no proof of Claim is or has been timely filed, is not  
24 considered to be an Allowed Claim and shall be expunged without further action by the City and  
25 without further notice to any party or any action, approval or order of the Bankruptcy Court.

26 **K. No Post-petition Accrual.**

27 Unless otherwise specifically provided in this Plan, in an executed Plan Document or  
28 otherwise required by order of the Bankruptcy Court, the City will not be required to pay to any

1 holder of a Claim any interest, penalty, or late charge accrued or accruing with respect to such claim  
2 from the Petition Date through the Confirmation Date.

3 **X. DISPUTED CLAIMS; OBJECTIONS TO CLAIMS; PROSECUTION OF**  
4 **OBJECTIONS TO DISPUTED CLAIMS**

5 **A. Claims Objection; ADR Procedures; Prosecution of Objections.**

6 The City will have the right to object to the allowance of Claims with respect to which  
7 liability or allowance is disputed in whole or in part and to subject any Disputed Claim to the ADR  
8 Procedures. The City shall have until the later of (x) 180 days after the Effective Date or (y) 180  
9 days after a Claim was filed or scheduled, to either: (a) file and serve objections to Claims, or (b)  
10 give notice to the holder of a Disputed Claim that the City intends to try and resolve allowance of the  
11 Claim pursuant to the ADR Procedures (the "180 Day Deadline"). Upon the request of the City, the  
12 Bankruptcy Court shall be authorized to extend the 180 Day Deadline. The City anticipates there  
13 will be additional Bar Dates for certain Claims classified under this Plan. The ADR Procedures are  
14 attached to the Appendix as an Exhibit.

15 **B. Payments and Distributions with Respect to Disputed Claims.**

16 After the Effective Date has occurred, at such time as a Disputed Claim becomes an Allowed  
17 Claim, in whole or in part, the City or its agent will distribute to the holder thereof the  
18 distribution(s), if any, to which such holder is then entitled under this Plan. Such distribution(s), if  
19 any, will be made as soon as practicable after the date that the order or judgment of the Bankruptcy  
20 Court allowing such Disputed Claim becomes a Final Order (or such other date as the Claim  
21 becomes an Allowed Claim). Unless otherwise specifically provided in this Plan, no interest will be  
22 paid on Disputed Claims that later become Allowed Claims.

23 **XI. EFFECT OF CONFIRMATION**

24 **A. Discharge of the City.**

25 Upon the Effective Date, the City will be discharged from all Debts of the City and Claims  
26 against the City as of the Confirmation Date, including without limitation all Pre-Confirmation Date  
27 Claims, other than (i) any Debt specifically and expressly excepted from discharge by this Plan or  
28 the Confirmation Order, or (ii) any Debt owed to an entity that, before the Confirmation Date, had

1 neither notice, including notice by publication, as applicable, nor actual knowledge of the  
2 Bankruptcy Case. The rights afforded in this Plan and the treatment of all holders of Pre-  
3 Confirmation Date Claims, whether such Claims are Impaired or Unimpaired under this Plan, will be  
4 in exchange for and in complete satisfaction, discharge, and release of all Claims of any nature  
5 whatsoever arising on or before the Confirmation Date, known or unknown, including any interest  
6 accrued or expenses incurred thereon from and after the Petition Date, whether against the City or  
7 any of its properties, assets, or interests in property. Except as otherwise provided herein, upon the  
8 Effective Date, all Pre-Confirmation Date Claims will be and shall be deemed to be satisfied,  
9 discharged, and released in full, be they Impaired or Unimpaired under this Plan.

10 Notwithstanding anything to the contrary in this Section XI.A., the City's obligations under  
11 the SBCPF Settlement Agreement may not be discharged pursuant to the claims discharge  
12 provisions of the Bankruptcy Code.

13 **B. Release by Holders of Pre-Confirmation Date Claims.**

14 **AS OF THE EFFECTIVE DATE, IN CONSIDERATION FOR THE OBLIGATIONS**  
15 **OF THE CITY UNDER THE PLAN, EACH HOLDER OF A PRE-CONFIRMATION DATE**  
16 **CLAIM IS DEEMED TO FOREVER RELEASE, WAIVE AND DISCHARGE ANY AND**  
17 **ALL CLAIMS, ACTIONS, CAUSES OF ACTION, DEBTS, OBLIGATIONS, RIGHTS,**  
18 **SUITS, DAMAGES, ACTIONS, REMEDIES, JUDGMENTS, AND LIABILITIES**  
19 **WHATSOEVER (INCLUDING WITHOUT LIMITATION THE AB 506 PROCESS AND**  
20 **THE ELIGIBILITY CONTEST) AGAINST THE CITY AND THE INDEMNIFIED**  
21 **PARTIES, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN,**  
22 **LIQUIDATED OR UNLIQUIDATED, FIXED OR CONTINGENT, MATURED OR**  
23 **UNMATURED, EXISTING AS OF THE EFFECTIVE DATE OR THEREAFTER ARISING,**  
24 **IN LAW OR AT EQUITY, WHETHER FOR TORT, CONTRACT, OR OTHERWISE,**  
25 **BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION,**  
26 **EVENT OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR TAKING**  
27 **PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN**  
28 **ANY WAY IN WHOLE OR IN PART TO THE CITY, THE INDEMNIFIED PARTIES AND**

1 **THEIR ASSETS AND PROPERTY, THE BANKRUPTCY CASE, THE DISCLOSURE**  
2 **STATEMENT, THIS PLAN OR THE SOLICITATION OF VOTES ON THIS PLAN THAT**  
3 **SUCH HOLDER OF A PRE-CONFIRMATION DATE CLAIM WOULD HAVE BEEN**  
4 **LEGALLY ENTITLED TO ASSERT (WHETHER INDIVIDUALLY OR COLLECTIVELY)**  
5 **OR THAT ANY HOLDER OF A CLAIM OR OTHER ENTITY WOULD HAVE BEEN**  
6 **LEGALLY ENTITLED TO ASSERT FOR OR ON BEHALF OF SUCH HOLDER OF A**  
7 **PRE-CONFIRMATION DATE CLAIM (WHETHER DIRECTLY OR DERIVATIVELY);**  
8 **PROVIDED, HOWEVER, THAT THIS SECTION XI.B. SHALL NOT OPERATE TO**  
9 **WAIVE, DISCHARGE OR RELEASE THE RIGHTS OF HOLDERS OF PRE-**  
10 **CONFIRMATION DATE CLAIMS TO ENFORCE THIS PLAN AND THE CONTRACTS,**  
11 **INSTRUMENTS, RELEASES, AND OTHER AGREEMENTS OR DOCUMENTS**  
12 **DELIVERED UNDER THIS PLAN OR ASSUMED PURSUANT TO THIS PLAN OR**  
13 **ASSUMED PURSUANT TO FINAL ORDER OF THE BANKRUPTCY COURT.**

14 **C. Injunction.**

15 **Except as otherwise expressly provided in this Plan, all Entities who have held, hold, or**  
16 **may hold Pre-Confirmation Date Claims shall be permanently enjoined from and after the**  
17 **Confirmation Date, with respect to such Pre-Confirmation Date Claims, from: (i) commencing**  
18 **or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any**  
19 **kind against the City or its property or any or all of the Indemnified Parties or any of their**  
20 **property; (ii) enforcing, levying, attaching, collecting, or recovering by any manner or means**  
21 **any judgment, award, decree, or order against the City or its property or any or all of the**  
22 **Indemnified Parties or any of their property; (iii) creating, perfecting, or enforcing any lien or**  
23 **encumbrance of any kind against the City or its property or any or all of the Indemnified**  
24 **Parties or any of their property; (iv) asserting any right of setoff, subrogation, or recoupment**  
25 **of any kind against any obligation due to the City or any or all of the Indemnified Parties,**  
26 **except as otherwise permitted by Bankruptcy Code section 553; (v) proceeding in any manner**  
27 **in any place whatsoever that does not conform to or comply with the provisions of this Plan or**  
28

1 the settlements provided for in this Plan Documents; and (vi) taking any actions to interfere  
2 with implementation or consummation of this Plan.

3 **D. Term of Existing Injunctions or Stays.**

4 All injunctions or stays provided for in the Bankruptcy Case pursuant to Bankruptcy  
5 Code sections 105, 362, or 922, or otherwise, and in existence immediately prior to the  
6 Confirmation Date, shall remain in full force and effect until the Effective Date; and shall  
7 continue in full force and effect after the Effective Date with respect to the ADR Procedures,  
8 determination of the City's liability (or lack thereof) on any Pre-Confirmation Date Claim and  
9 the allowance or disallowance thereof.

10 **E. Exculpation.**

11 Each of the following is an Exculpated Party under this Plan: (i) the City and each of  
12 the persons (including their staff) acting in the following capacities during the Bankruptcy  
13 Case: Mayor, City Attorney, City Manager, Assistant City Manager, member of the Common  
14 Council, and any employee of the City that submitted a declaration in support of any pleading  
15 filed by the City in the Bankruptcy Case; (ii) any of the City's financial advisors, attorneys,  
16 accountants, investment bankers or advisors, consultants, representatives and other  
17 professionals, including but not limited to the following: (A) Management Partners, Inc.; (B)  
18 Urban Futures, Inc.; (C) Stradling Yocca Carlson & Rauth, a Professional Corporation; (D)  
19 Law Office of Linda L. Daube, A Professional Corporation, and (E) Rust Omni; (iii) the  
20 members of the Retiree Committee, (iv) U.S. Bank National Association, in its capacities as  
21 indenture trustee; and (v) counsel for the Retiree Committee, Bienert Miller & Katzman, PLC.  
22 Except with respect to obligations specifically arising pursuant to or preserved in this Plan, no  
23 Exculpated Party shall have or incur, any liability to any person or Entity for any act taken or  
24 omitted to be taken in connection with, relating to or arising out of the City's restructuring  
25 efforts and the Bankruptcy Case, including the authorization given to file the Bankruptcy  
26 Case, the formulation, preparation, negotiation, dissemination, consummation,  
27 implementation, confirmation or approval (as applicable) of this Plan, the solicitation of votes  
28 and acceptances for this Plan, the property to be distributed under this Plan, the settlements

1 implemented under this Plan, the Exhibits, the Appendix, the Disclosure Statement, any  
2 contract, instrument, release or other agreement or document provided for or contemplated in  
3 connection with the consummation of the transactions set forth in this Plan or the management  
4 or operation of the City; *provided, however*, that nothing in this Section XI.E shall be deemed  
5 to release or exculpate any Exculpated Party for its willful misconduct or gross negligence.  
6 Each Exculpated Party shall be entitled to reasonably rely upon the advice of counsel and  
7 financial advisors with respect to its duties and responsibilities under, or in connection with,  
8 the Bankruptcy Case, the administration thereof and this Plan.

9 **F. Comprehensive Settlement of Claims and Controversies.**

10 In consideration for the distributions and other benefits provided under this Plan, the  
11 provisions of this Plan, including the exculpation and release provisions contained in this  
12 Section XI, constitute a good faith compromise and settlement of all Claims, causes of action or  
13 controversies relating to the rights that a holder of a Claim may have with respect to any  
14 Claim against the City and/or the Indemnified Parties, any distribution to be made pursuant to  
15 this Plan on account of any such Claim and any and all Claims or causes of action of any party  
16 arising out of or relating to the Eligibility Contest. The entry of the Confirmation Order  
17 constitutes the Bankruptcy Court's approval, as of the Effective Date, of the compromise or  
18 settlement of all such Claims or controversies and the Bankruptcy Court's finding that all such  
19 compromises and settlements are in the best interests of the City and the holders of Claims,  
20 and are fair, equitable, and reasonable.

21 **G. Agreements with the United States**

22 The Confirmation Order shall provide that, notwithstanding any other provision of the Plan  
23 or Confirmation Order to the contrary:

24 (a) The City's obligations pursuant to its Contracts for Loan Guarantee Assistance Under  
25 Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. §  
26 5308, with the United States Department of Housing and Urban Development shall remain extant  
27 and enforceable and not subject to discharge pursuant to 11 U.S.C. § 944; provided, however, that  
28

1 the City retains all defenses to the enforceability of such obligations under applicable non-  
2 bankruptcy law.

3 (b) Nothing in the Plan or Confirmation Order shall adversely affect in any way the rights  
4 and remedies of the United States and the State of California under the consolidated actions styled  
5 as *City of San Bernardino v. United States and State of California, on behalf of Department of Toxic*  
6 *Substances Control v. United States*, Civil Action Nos. 96-8867 (MRP), 96-5205 (MRP) -  
7 Consolidated (C.D. Cal.), including without limitation, the Consent Decree therein and any  
8 amendment thereto ("C.D. Cal. Actions"), nor shall anything in the Plan or the Confirmation Order  
9 divest or limit the jurisdiction of the United States District Court for the Central District of  
10 California over the C.D. Cal. Actions. Upon the Effective Date of the Plan, the C.D. Cal. Actions  
11 shall survive the bankruptcy case and may be adjudicated and enforced in the United States District  
12 Court for the Central District of California, provided, however, that Bankruptcy Court approval must  
13 be obtained for any allowance of an administrative expense.

14 (c) As to the United States, its agencies, departments or agents, nothing in the Plan or  
15 Confirmation Order shall discharge, release, or otherwise preclude: (1) any liability of the City to the  
16 United States, its agencies, departments or agents arising on or after the Effective Date; (2) any  
17 liability to the United States, its agencies, departments or agents that is not a "claim" within the  
18 meaning of section 101(5) of the Bankruptcy Code; (3) any valid defense of setoff or recoupment  
19 with respect to a Claim of the United States, its agencies, departments or agents; (4) the continued  
20 validity of the City's obligations to the United States, its agencies, departments or agents under any  
21 grant or cooperative assistance agreement; (5) any liability of any entity under environmental law  
22 arising or springing anew after the Effective Date that any entity would be subject to as a post-  
23 Effective Date owner or operator of property; or (6) the United States from, subsequent to the  
24 Confirmation Date, pursuing any police or regulatory action against the City.

## 25 **XII. RETENTION OF AND CONSENT TO JURISDICTION**

26 Following the Effective Date, the Bankruptcy Court shall retain and have exclusive  
27 jurisdiction over any matter arising under the Bankruptcy Code and relating to the City, or arising in  
28 or related to the Bankruptcy Case or this Plan, including, without limitation:

1           **1.**       to resolve any matters related to the assumption, assumption and assignment,  
2 rejection or other disposition of any contract or lease to which the City is a party or with respect to  
3 which the City may be liable, and to hear, determine and, if necessary, liquidate any Claims arising  
4 therefrom;

5           **2.**       to enter such orders as may be necessary or appropriate to implement or  
6 consummate the provisions of this Plan, and all other contracts, settlement agreements, instruments,  
7 releases, exculpations, and other agreements or documents related to this Plan;

8           **3.**       to determine any and all motions, adversary proceedings, applications, and  
9 contested or litigated matters that may be pending on the Effective Date or that, pursuant to this  
10 Plan, may be instituted by the City after the Effective Date or that are instituted by any holder of a  
11 Claim before or after the Effective Date concerning any matter based upon, arising out of, or relating  
12 to the Bankruptcy Case, whether or not such action initially is filed in the Bankruptcy Court or any  
13 other court;

14           **4.**       to ensure that distributions to holders of Allowed Claims are accomplished as  
15 provided herein;

16           **5.**       to hear and determine any objections to Claims or to proofs of Claim filed,  
17 both before and after the Effective Date, including any objections to the classification of any Claim,  
18 and to allow, disallow, determine, liquidate, classify, estimate, or establish the priority of or secured  
19 or unsecured status of any Claim, in whole or in part;

20           **6.**       to enter and implement such orders as may be appropriate in the event the  
21 Confirmation Order is for any reason stayed, revoked, modified, reversed, or vacated;

22           **7.**       to issue such orders in aid of execution of this Plan, to the extent authorized  
23 by Bankruptcy Code section 1142(b);

24           **8.**       to consider any modifications of this Plan, to cure any defect or omission, or  
25 to reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation  
26 Order;

27           **9.**       to the extent that the City elects to bring such matters before the Bankruptcy  
28 Court, to hear and determine all disputes regarding compensation for City professionals for services

1 rendered and expenses incurred prior to the Effective Date;

2 **10.** to hear and determine all disputes or controversies arising in connection with  
3 or relating to this Plan or the Confirmation Order or the interpretation, implementation, or  
4 enforcement of this Plan or the Confirmation Order or the extent of any Entity's rights or obligations  
5 incurred in connection with, or released, discharged enjoined, or exculpated under, this Plan or the  
6 Confirmation Order;

7 **11.** to issue injunctions, enter and implement other orders, or take such other  
8 actions as may be necessary or appropriate to restrain interference by any entity with respect to the  
9 consummation, implementation or enforcement of this Plan;

10 **12.** to determine any other matters that may arise in connection with or are related  
11 to this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release  
12 or other agreement or document related to this Plan or the Disclosure Statement (including whether  
13 the conditions to confirmation or the effectiveness of this Plan have been met, and any ancillary  
14 matters that are necessary or integral to the confirmation or effectiveness of this Plan, such as  
15 interpretation of the City Charter).

16 **13.** to hear any other matter for any purpose specified in the Confirmation Order  
17 that is not inconsistent with the Bankruptcy Code;

18 **14.** to hear and determine all disputes or controversies arising in connection with  
19 or relating to the terms or enforcement of any relevant agreements related to this Plan and  
20 Confirmation Order; and

21 **15.** to enter a final decree closing the Bankruptcy Case.

22 **XIII. CONDITIONS PRECEDENT**

23 **A. Conditions Precedent to Confirmation.**

24 The condition precedent to confirmation of this Plan is the entry of the Confirmation Order in  
25 form and substance satisfactory to the City.

26 **B. Conditions Precedent to Effective Date.**

27 The "effective date of this Plan," as used in Bankruptcy Code section 1129, shall not occur,  
28 and this Plan shall be of no force and effect, until the Effective Date. The occurrence of the

1 Effective Date is subject to the satisfaction (or waiver as set forth in Section XIII.C) of the following  
2 conditions precedent:

3           **1.**       Confirmation Order. The Confirmation Order shall have been entered, shall  
4 be in full force and effect, and shall be a Final Order (but the requirement that the Confirmation  
5 Order be a Final Order may be waived by the City at any time).

6           **2.**       Plan Documents. All agreements and instruments contemplated by, or to be  
7 entered into pursuant to, this Plan shall be in form and substance acceptable to the City; shall have  
8 been duly and validly executed and delivered, or deemed executed by the parties thereto; and all  
9 conditions to their effectiveness shall have been satisfied or waived.

10           **3.**       1996 Refunding Bonds Amendment and 1999 Refunding Certificates of  
11 Participation Amendment. All conditions to the effectiveness of the 1996 Refunding Bonds  
12 Amendment and the 1999 Refunding Certificates of Participation Amendment have been satisfied or  
13 waived in accordance with the terms of such amendments.

14           **4.**       Authorizations, Consents, Etc. The City shall have received any and all  
15 authorizations, consents, regulatory approvals, rulings, no-action letters, opinions, and documents  
16 that are necessary to implement this Plan and that are required by law, regulation or order.

17           **5.**       Timing. The Effective Date shall occur on the first Business Day after the  
18 City determines that all conditions precedent of Section XIII.B. are satisfied or waived.

19           **C.       Waiver of Conditions to Effective Date.**

20           The City may waive in whole or in part any condition to effectiveness of this Plan *provided,*  
21 *however,* that the City may only waive the condition to the effectiveness set forth in Section XIII.B.3  
22 with the express prior written consent of National, the 1996 Refunding Bonds Trustee, and the 1999  
23 Refunding Certificates of Participation Trustee, which consents shall not be unreasonably withheld.  
24 Any such waiver of a condition may be effected at any time, without notice or leave or order of the  
25 Bankruptcy Court and without any formal action, other than the filing of a notice of such waiver  
26 with the Bankruptcy Court.

1           **D. Effect of Failure of Conditions.**

2           In the event that the conditions to effectiveness of this Plan have not been timely satisfied or  
3 waived, and upon notification submitted by the City to the Bankruptcy Court, (i) the Confirmation  
4 Order shall be vacated, (ii) no distributions under this Plan shall be made, (iii) the City and all  
5 holders of Claims shall be restored to the status quo ante as of the day immediately preceding the  
6 Confirmation Date as though the Confirmation Date never occurred, and (iv) all of the City's  
7 obligations with respect to the Claims shall remain unchanged and nothing contained herein shall be  
8 deemed to constitute a waiver or release of any claims by or against the City or any other entity or to  
9 prejudice in any manner the rights, remedies, or claims of the City or any entity in any further  
10 proceedings involving the City.

11           **E. No Admission of Liability.**

12           This Plan constitutes a settlement and compromise between and among the City and various  
13 parties. This Plan shall not be deemed an admission or concession by any party with respect to any  
14 factual or legal contention, right, defense, or position taken by the City.

15           **XIV. MISCELLANEOUS PROVISIONS**

16           **A. Modification of Plan.**

17           The City reserves the right to modify this Plan both before and after confirmation of this Plan  
18 as permitted by Bankruptcy Code Section 1127(d) and the other applicable provisions of the  
19 Bankruptcy Code and Bankruptcy Rules.

20           **B. Dissolution of the Retiree Committee.**

21           On the Effective Date, the Retiree Committee shall be released and discharged of and from  
22 all further authority, duties, responsibilities, and obligations relating to and arising from and in  
23 connection with the Bankruptcy Case, and the Retiree Committee shall be deemed dissolved and its  
24 appointment terminated.

25           **C. Severability.**

26           If after entry of the Confirmation Order, any term or provision of this Plan is held by any  
27 court having jurisdiction, including on appeal, to be invalid, void, or unenforceable, the remainder of  
28 the terms and provisions of this Plan shall remain in full force and effect and shall in no way be

1 affected, impaired, or invalidated by such holding as long as the economic and legal substance of the  
2 Claims treatment and other transactions that this Plan contemplates are not affected in any manner  
3 materially adverse to the City. At the election of and with the consent of the City, the Bankruptcy  
4 Court shall have the power to alter and interpret such term or provision to make it valid or  
5 enforceable to the maximum extent practicable, consistent with the original purpose of the term or  
6 provision held to be invalid, void, or unenforceable, and such term or provision shall then be  
7 applicable as altered or interpreted. The Confirmation Order shall constitute a judicial determination  
8 and shall provide that each term and provision of this Plan, as it may have been subsequently altered  
9 or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

10 **D. Governing Law.**

11 Except where the Bankruptcy Code or other federal law applies, or where an Exhibit to the  
12 Appendix or Plan Document provides otherwise, the rights, duties, and obligations arising under this  
13 Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of  
14 California, without giving effect to principles of conflicts of laws.

15 **E. Effectuating Documents and Further Transactions.**

16 The City is authorized (and its appropriate officers and employees are authorized and  
17 directed) to execute, deliver, file, or record such contracts, instruments, releases, indentures, and  
18 other agreements or documents and take such actions as may be necessary or appropriate to  
19 effectuate and further evidence the terms, provisions and intent of this Plan.

20 **F. Request for Waiver of Automatic Stay of Confirmation Order.**

21 This Plan shall serve as a motion seeking a waiver of the automatic stay of the Confirmation  
22 Order imposed by Bankruptcy Rule 3020(e). Any objection to this request for waiver shall be Filed  
23 and served on or before the Objection Deadline.

24 **G. Notice of Effective Date.**

25 On or before 14 days after occurrence of the Effective Date, the City or its agent shall mail or  
26 cause to be mailed to all holders of Claims the Notice of the Effective Date, which will inform such  
27 holders of: (i) entry of the Confirmation Order; (ii) the occurrence of the Effective Date; (iii) the  
28 assumption and rejection of the City's executory contracts and unexpired leases pursuant to this

1 Plan, as well as the deadline for the filing of Claims arising from such rejection; (iv) the deadline  
2 established under this Plan for the filing of Administrative Claims; (v) the procedures for changing  
3 an address of record pursuant to Section IX; and (vi) such other matters as the City deems to be  
4 appropriate.

5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28

DATED: July 29, 2016

CITY OF SAN BERNARDINO, CALIFORNIA

By: /s/ Mark Scott  
Mark Scott  
City Manager

Submitted By:  
STRADLING YOCCA CARLSON &  
RAUTH, P.C.

By: /s/ Paul R. Glassman  
Paul R. Glassman  
Fred Neufeld  
Marianne S. Mortimer  
Kathleen D. DeVaney

Attorneys for the City of San Bernardino

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

100 Wilshire Blvd., 4<sup>th</sup> Floor, Santa Monica, CA 90401.

A true and correct copy of the foregoing document entitled THIRD AMENDED PLAN FOR THE ADJUSTMENT OF DEBTS OF THE CITY OF SAN BERNARDINO, CALIFORNIA (JULY 29, 2016) will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):** Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On July 29, 2016, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

The United States trustee will be served electronically by the court to:  
United States Trustee (RS) ustpreion16.rs.ecf@usdoj.gov

### ATTORNEYS FOR DEBTOR

Paul R. Glassman pglassman@sycr.com  
Fred Neufeld fneufeld@sycr.com  
Laura L. Buchanan lbuchanan@sycr.com

Franklin C Adams on behalf of Creditor San Bernardino Associated Governments  
franklin.adams@bbklaw.com, arthur.johnston@bbklaw.com;lisa.spencer@bbklaw.com

Franklin C Adams on behalf of Creditor San Bernardino Local Agency Formation Commission  
franklin.adams@bbklaw.com, arthur.johnston@bbklaw.com;lisa.spencer@bbklaw.com;

Franklin C Adams on behalf of Big Independent Cities Excess Pool Joint Powers Authority ("BICEP")  
franklin.adams@bbklaw.com, arthur.johnston@bbklaw.com;lisa.spencer@bbklaw.com;

Andrew K Alper on behalf of Interested Party Courtesy NEF  
aalper@frandzel.com, efiling@frandzel.com;ekidder@frandzel.com

Christian U Anyiam on behalf of Claimant Gustavo Arzola  
anyiamlawfirmnc@gmail.com, chrisanyiam4law@gmail.com

Thomas V Askounis on behalf of Interested Party Courtesy NEF  
taskounis@askounisdarcy.com

Marjorie Barrios on behalf of Raymond Newberry, Patricia Mendoza, Maria Aboytia, Juana Pulido, Jesus Pulido, Jonathan Pulido, Richard Gonzalez Lozada, Melinda McNeal, Bertha Lozada, Mildred Lytwynec, Nicholas Lytwynec, Gloria Basua, and Others Similarly Situated  
iecivilaw@gmail.com, mbarrios@mbarrios.com

Marjorie Barrios on behalf of The Estate of Fernando Melgoza  
iecivilaw@gmail.com, mbarrios@mbarrios.com

Julie A Belezzuoli on behalf of Defendant California Department of Finance  
julie.belezzuoli@kayescholer.com

Julie A Belezzuoli on behalf of Defendant Office of State Controller, State of California  
julie.belezzuoli@kayescholer.com

Julie A Belezzuoli on behalf of Defendant Ana J Matosantos  
julie.belezzuoli@kayescholer.com

---

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Julie A Belezuoli on behalf of Defendant John Chiang  
julie.belezuoli@kayescholer.com

Anthony Bisconti on behalf of Creditor Certain Retired Employees of the City of San Bernardino  
tbisconti@bmkattorneys.com, admin@bmkattorneys.com

Jeffrey E Bjork on behalf of Interested Party Courtesy NEF  
jbjork@sidley.com

Michael D Boutell on behalf of Creditor Comerica Bank  
mdbell@comerica.com

J Scott Bovitz on behalf of Creditor U.S. TelePacific Corp.  
bovitz@bovitz-spitzer.com

John A Boyd on behalf of Interested Party Thompson & Colegate LLP  
fednotice@tclaw.net

Jeffrey W Broker on behalf of Creditor The Glen Aire Mobilehome Park Corporation  
jbroker@brokerlaw.biz

Laura L Buchanan on behalf of Debtor City of San Bernardino, California  
lbuchanan@sycr.com

Michael J Bujold on behalf of U.S. Trustee United States Trustee (RS)  
Michael.J.Bujold@usdoj.gov

Christopher Celentino on behalf of Party Erste Europäische Pfandbrief- und Kommunalkreditbank  
Aktiengesellschaft in Luxemburg S.A.  
celentinoc@ballardspahr.com, burkec@ballardspahr.com

Lisa W Chao on behalf of California Infrastructure and Economic Development Bank  
lisa.chao@doj.ca.gov

Shirley Cho on behalf of Interested Party National Public Finance Guarantee Corp.  
scho@pszjlaw.com

Carol Chow on behalf of Interested Parties CMB INFRASTRUCTURE INVESTMENT  
GROUP III, LP, CMB INFRASTRUCTURE INVESTMENT GROUP V, LP AND CMB INFRASTRUCTURE  
INVESTMENT GROUP VI-C, LP  
carol.chow@ffslaw.com

Alicia Clough on behalf of Defendant California Department of Finance  
aclough@loeb.com, ladocket@loeb.com;klyles@loeb.com;mnielson@loeb.com

Alicia Clough on behalf of Defendant Office of State Controller, State of California  
aclough@loeb.com, ladocket@loeb.com;klyles@loeb.com;mnielson@loeb.com

Alicia Clough on behalf of Defendant State of California  
aclough@loeb.com, ladocket@loeb.com;klyles@loeb.com;mnielson@loeb.com

Alicia Clough on behalf of Defendant Ana J Matosantos  
aclough@loeb.com, ladocket@loeb.com;klyles@loeb.com;mnielson@loeb.com

Alicia Clough on behalf of Defendant John Chiang  
aclough@loeb.com, ladocket@loeb.com;klyles@loeb.com;mnielson@loeb.com

Marc S Cohen on behalf of Defendant California Department of Finance  
mscohen@loeb.com, kyles@loeb.com;mnielson@loeb.com;ladoCKET@loeb.com

Marc S Cohen on behalf of Defendant Office of State Controller, State of California  
mscohen@loeb.com, kyles@loeb.com;mnielson@loeb.com;ladoCKET@loeb.com

Marc S Cohen on behalf of Defendant State of California  
mscohen@loeb.com, kyles@loeb.com;mnielson@loeb.com;ladoCKET@loeb.com

Marc S Cohen on behalf of Defendant Ana J Matosantos  
mscohen@loeb.com, kyles@loeb.com;mnielson@loeb.com;ladoCKET@loeb.com

Marc S Cohen on behalf of Defendant John Chiang  
mscohen@loeb.com, kyles@loeb.com;mnielson@loeb.com;ladoCKET@loeb.com

Christopher J Cox on behalf of Interested Party National Public Finance Guarantee Corp.  
chris.cox@weil.com, janine.chong@weil.com

Christina M Craige on behalf of Interested Party Courtesy NEF  
ccraige@sidley.com

Alex Darcy on behalf of Creditor Marquette Bank  
adarcy@askounisdarcy.com, akapai@askounisdarcy.com

Susan S Davis on behalf of Interested Party Courtesy NEF  
sdavis@coxcastle.com

Robert H Dewberry on behalf of Creditor Allison Mechanical, Inc.  
robert.dewberry@dewlaw.net

Donn A Dimichele on behalf of Debtor City of San Bernardino  
dimichele\_do@sbcity.org, brigman\_ch@sbcity.org

Todd J Dressel on behalf of Creditor Pinnacle Public Finance, Inc.  
dressel@chapman.com, lillbyrd@chapman.com

Warren M Ellis on behalf of Claimant Jesus Castaneda  
warren.m.ellis@gmail.com, ciprianturcu@presumeinnocence.com

Scott Ewing on behalf of Interested Party Rust Consulting/Omni Bankruptcy  
contact@omnimgt.com, sewing@omnimgt.com;katie@omnimgt.com

John A Farmer on behalf of Creditor County of San Bernardino, California  
jfarmer@orrick.com

John C Feely on behalf of Claimant Broadway Capital LLC  
johnconrad85@gmail.com, john@lblegal.org

Lazaro E Fernandez on behalf of Creditor Lori Tillery, Michael Wade, Michael Anthony Rey, Terrel Markham, et al., Attorney fo J.A. et al., Cedric may Sr., et al., Sheryl Jackson  
lef17@pacbell.net, lef-karina@pacbell.net;lef-mari@pacbell.net;lefkarina@gmail.com

M Douglas Flahaut on behalf of Interested Party Wells Fargo Bank, N.A.  
flahaut.douglas@arentfox.com

Dale K Galipo on behalf of Attorney Dale K Galipo  
dalekgalipo@yahoo.com, mpartow@galipolaw.com;lcostanza@galipolaw.com;rvasquez@galipolaw.com

Dale K Galipo on behalf of Michael Wade, Michael Anthony Rey, Terrel Markham, et al., Attorney fo J.A. et al.,  
Cedric may Sr., et al., Sheryl Jackson  
dalekgalipo@yahoo.com, mpartow@galipolaw.com;lcostanza@galipolaw.com;rvasquez@galipolaw.com

Victoria C Geary on behalf of Defendant California State Board Of Equalization  
victoria.geary@boe.ca.gov

Victoria C Geary on behalf of Defendant Cynthia Bridges  
victoria.geary@boe.ca.gov

Paul R. Glassman on behalf of Debtor City of San Bernardino, California  
pglassman@sycr.com

Paul R. Glassman on behalf of Plaintiff City of San Bernardino, California  
pglassman@sycr.com

Richard H Golubow on behalf of Glen Aire Mobilehome Park Corporation, Pacific Palms Mobilehome Park  
Corporation, Friendly Village Mobilehome Park Corporation, Orangewood Mobilehome Park Corporation and  
Affordable Community Living Corporation fka California Mobilehome Park Corporation fka San Bernardino  
Mobilehome Park Corporation  
rgolubow@winthropcouchot.com, pj@winthropcouchot.com;vcorbin@winthropcouchot.com;  
mconour@winthropcouchot.com

David M Goodrich on behalf of Creditor San Bernardino City Professional Firefighters Local 891  
dgoodrich@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com, dgoodrich@ecf.inforuptcy.com,  
slee@sulmeyerlaw.com

Morton J Grabel on behalf of Claimant Lorrie Pauly  
mortgrabel@aol.com, rowena@flatrocklegal.com

Christian Graham on behalf of Creditor Miramontes Const. Co., Inc.  
cgraham23@dlblaw.net

Everett L Green on behalf of U.S. Trustee United States Trustee (RS)  
everett.l.green@usdoj.gov

Asa S Hami on behalf of Creditor San Bernardino City Professional Firefighters Local 891  
ahami@sulmeyerlaw.com,  
agonzalez@sulmeyerlaw.com;agonzalez@ecf.inforuptcy.com;ahami@ecf.inforuptcy.com

James A Hayes on behalf of Interested Party Courtesy NEF  
jhayes@jamesahayesaplc.com

Eric M Heller on behalf of Interested Party Internal Revenue Service  
eric.m.heller@irscounsel.treas.gov

Richard P Herman on behalf of Creditor Javier Banuelos  
rherman@richardphermanlaw.com

Jeffery D Hermann on behalf of Creditor and Defendant County of San Bernardino, California  
jhermann@orrick.com

Whitman L Holt on behalf of Interested Party Courtesy NEF  
wholt@ktbslaw.com

Michelle C Hribar on behalf of Interested Party San Bernardino Public Employees Association  
mch@sdlaborlaw.com, sak@sdlaborlaw.com

Steven J Katzman on behalf of Creditor Certain Retired Employees of the City of San Bernardino  
SKatzman@bmkattorneys.com, admin@bmkattorneys.com

Steven J Katzman on behalf of Official Committee Of Retired Employees  
SKatzman@bmkattorneys.com, admin@bmkattorneys.com

Jane Kespradit on behalf of Interested Party Courtesy NEF  
jane.kespradit@limruger.com, amy.lee@limruger.com

Mette H Kurth on behalf of Interested Party Courtesy NEF  
kurth.mette@arentfox.com;pchlum@foxrothschild.com

Sandra W Lavigna on behalf of Interested Party U. S. Securities and Exchange Commission  
lavignas@sec.gov

Michael B Lubic on behalf of Creditor California Public Employees' Retirement System  
michael.lubic@kkgates.com, jonathan.randolph@kkgates.com

Michael B Lubic on behalf of Interested Party California Public Employees' Retirement System  
michael.lubic@kkgates.com, jonathan.randolph@kkgates.com

Michael C Maddux on behalf of Creditor Asinia Johnson  
1mcmnla@gmail.com, mikemadduxlaw@gmail.com

Vincent J Marriott on behalf of Erste Europäische Pfandbriefund Kommunalkreditbank AG in Luxemburg  
Pearsonj@ballardspahr.com

Vincent J Marriott on behalf of Erste Europäische Pfandbriefund Kommunalkreditbank AG in Luxemburg  
Marriott@ballardspahr.com, Pearsonj@ballardspahr.com

David J McCarty on behalf of Interested Party David J. McCarty  
dmccarty@sheppardmullin.com, nparker@sheppardmullin.com

Reed M Mercado on behalf of Interested Party M. Reed Mercado  
rmercado@sheppardmullin.com

Dawn A Messick on behalf of Interested Party Courtesy NEF  
messickd@ballardspahr.com, chabota@ballardspahr.com

Fred Neufeld on behalf of Debtor City of San Bernardino, California  
fneufeld@sycr.com

Aron M Oliner on behalf of Interested Party San Bernardino Police Officers Association  
roliner@duanemorris.com

Scott H Olson on behalf of Creditor Kohl's Department Stores, Inc.  
solson@vedderprice.com, ecfdoCKET@vedderprice.com,jcano@vedderprice.com, jparker@vedderprice.com

Allan S Ono on behalf of Interested Party Courtesy NEF  
allan.ono@doj.ca.gov, beatriz.davalos@doj.ca.gov

James F Penman [former City Attorney of the City of San Bernardino]

Mark D Potter on behalf of Creditor Creditor Timothy Crowley  
mark@potterhandy.com, rhondahandy@potterhandy.com;kevin@potterhandy.com

Dean G Rallis, Jr on behalf of Interested Party Courtesy NEF  
drallis@afrcT.com;msinclair@afrcT.com; AFRCTECF@afrcT.com;mpham@afrcT.com; yblum@afrcT.com

---

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Manoj D Ramia on behalf of Creditor California Public Employees' Retirement System  
manoj.ramia@klgates.com, klgatesbankruptcy@klgates.com

Jason E Rios on behalf of Creditor California Public Employees' Retirement System  
jrios@ffwplaw.com, Inlasley@ffwplaw.com

Esperanza Rojo on behalf of Interested Party Rust Consulting/Omni Bankruptcy  
contact@omnimgt.com, sewing@omnimgt.com

Kenneth N Russak on behalf of Interested Party Courtesy NEF  
krussak@frandzel.com, efilng@frandzel.com;dmoore@frandzel.com

Vicki I Sarmiento on behalf of Claimants X.J.G., as minor by and through guardian ad litem Angelina Saenz, C.A.  
as minor Gonzalez by and through guardian ad litem Rosalsela Avalos, Brunilda Gonzalez, Angelina Cesar,  
Zochilt Gutierrez, Sasha Gonzalez  
vsarmiento@vis-law.com, jfregoso@vis-law.com

Mark C Schnitzer on behalf of Attorney Mark C. Schnitzer  
mschnitzer@rhlaw.com, mcschnitzer@gmail.com

John R Setlich on behalf of Claimant Francisca Zina Gomez  
John R Setlich jrsetlich@setlichlaw.com

Diane S Shaw on behalf of Interested Party Courtesy NEF  
diane.shaw@doj.ca.gov

Ariella T Simonds on behalf of Interested Party Courtesy NEF  
asimonds@sidley.com

Jason D Strabo on behalf of Creditor U.S. Bank National Association, not individually, but as Indenture Trustee  
jstrabo@mwe.com, cgilbert@mwe.com

Cathy Ta on behalf of Big Independent Cities Excess Pool Joint Powers Authority ("BICEP")  
cathy.ta@bbklaw.com, Arthur.Johnston@bbklaw.com;lisa.spencer@bbklaw.com

Mohammad Tehrani on behalf of U.S. Trustee United States Trustee (RS)  
Mohammad.V.Tehrani@usdoj.gov

Sheila Totorp on behalf of Creditor Landmark American Insurance Company  
stotorp@clausen.com, jbrzezinski@clausen.com

Benjamin R Trachtman on behalf of Interested Party Courtesy NEF  
btrachtman@trachtmanlaw.com, sstraka@trachtmanlaw.com

Matthew J Troy on behalf of Creditor United States of America  
matthew.troy@usdoj.gov

United States Trustee (RS)  
ustpreion16.rs.ecf@usdoj.gov

Anne A Uyeda on behalf of Interested Party Courtesy NEF  
ayueda@bmkattorneys.com

Annie Verdries on behalf of Interested Party Courtesy NEF  
verdries@lbbslaw.com, Autodocket@lbbslaw.com

Delilah Vinzon on behalf of Interested Party Ambac Assurance Company

---

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

dvinzon@milbank.com

Brian D Wesley on behalf of Interested Party Courtesy NEF  
brian.wesley@doj.ca.gov

Arnold H Wuhrman on behalf of Creditor Serenity Legal Services, P.C.  
Wuhrman@serenitylls.com

Clarisse Young on behalf of Interested Party Courtesy NEF  
youngshumaker@smcounsel.com, levern@smcounsel.com

Service information continued on attached page

**2. SERVED BY UNITED STATES MAIL:**

On July 29, 2016, I served [or will serve] the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

**3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method**

**for each person or entity served):** Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on July 29, 2016, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

PRESIDING JUDGE'S COPY

Honorable Meredith A. Jury

U.S. Bankruptcy Court

3420 Twelfth Street, Suite 325

Riverside, CA 92501-3819

Via overnight delivery service with Golden State Overnight (www.gso.com) Delivery Tracking number: 532765457

UNITED STATES TRUSTEE

Office of the United States Trustee (Overnight Delivery Service)

3801 University Avenue, Suite 720

Riverside, CA 92501

Via overnight delivery service with Golden State Overnight (www.gso.com) Delivery Tracking number: 532764062

ATTORNEYS FOR UNITED PACIFIC RAILROAD COMPANY (Via Email)

Mary Ann Kilgore (Via Email)

MKILGORE@UP.COM

Jennie L. Anderson

JLANDERS01@UP.COM

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

July 29, 2016

Date

Christine Pesis

Printed Name

/s/ Christine Pesis

Signature