

Exhibit 2

Resolution No. 2015-103
(Authorization to Implement Recovery Plan,
File Chapter 9 Plan of Adjustment and Disclosure Statement)

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RESOLUTION NO. 2015-103

**RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE CITY
OF SAN BERNARDINO AUTHORIZING THE IMPLEMENTATION OF THE CITY'S
FISCAL RECOVERY PLAN, THE FILING OF THE CHAPTER 9 PLAN OF
ADJUSTMENT AND DISCLOSURE STATEMENT, AND THE FILING OF RELATED
DOCUMENTS**

WHEREAS, on July 18, 2012, the Mayor and Common Council of the City of San Bernardino adopted Resolution 2012-206 authorizing the filing of a petition under chapter 9 of the United States Bankruptcy Code; and

WHEREAS, on August 1, 2012, the City filed a petition under chapter 9 of the United States Bankruptcy Code commencing Case No. 6:12-bk-28006-MJ now pending in the United States Bankruptcy Court for Central District of California, Riverside Division; and

WHEREAS, on August 28, 2013, the Honorable Meredith A. Jury determined that the City was eligible to be a debtor under chapter 9, that the City filed its chapter 9 petition in good faith and that the petition met all of the applicable requirements of the United States Bankruptcy Code, and entered an order for relief on September 17, 2013; and

WHEREAS, on November 18, 2014 the Honorable Meredith A. Jury ordered the City to file a proposed plan of adjustment by no later than May 30, 2015; and

WHEREAS, on April 6, 2015, the Mayor and Common Council of the City of San Bernardino adopted Resolution 2015-71 establishing and adopting the Operating Practices for Good Governance attached thereto as Exhibit A; and

WHEREAS, the Operating Practices for Good Governance provide that the City Manager shall have both the authority and accountability to produce a confirmable Plan of

1 Adjustment to the Common Council of the City of San Bernardino for approval, and shall also
2 have the responsibility for implementing the Plan of Adjustment to ensure the City exits its
3 chapter 9 Bankruptcy Case as soon as possible; and
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5 **WHEREAS**, the City shall continue to work with the Charter Review Committee for
6 the purposes of reviewing the City Charter for governance and operational efficiencies and
7 effectiveness consistent with the City's Recovery Plan; and
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9 **WHEREAS**, the City is committed in its efforts to resolve the claims of creditors
10 through mediation or consensually, but must also proceed in an efficient and cost effective
11 manner and comply with the Bankruptcy Court's order to file a proposed plan of adjustment
12 with the United States Bankruptcy Court by no later than May 30, 2015 in furtherance of the
13 completion of the City's chapter 9 case and in the best interests of the City's residents; and
14

15 **WHEREAS**, the Mayor and Common Council understand and adopt the Recovery Plan,
16 attached as Exhibit 1, as may be amended from time to time, as circumstances may warrant; and
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18 **WHEREAS**, the Mayor and Common Council understand and accept that the Plan of
19 Adjustment, the Disclosure Statement and any documents related to the Plan of Adjustment and
20 Disclosure Statement, may be amended from time to time, prior to their filing, as the claims of
21 creditors are resolved or other factual and legal circumstances may warrant.
22

23 **NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COMMON**
24 **COUNCIL OF THE CITY OF SAN BERNARDINO, AS FOLLOWS:**
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26 **SECTION 1. Findings.** The foregoing recitals are true and correct and the Mayor and
27 Common Council hereby so find and determine.
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SECTION 2. Major Actions and Implementation of Recovery Plan Supporting the Plan of Adjustment. The Mayor and Common Council hereby commit to the implementation of any and all of the actions described in the Recovery Plan supporting the Plan of Adjustment, including without limitation, contracting out municipal services, which are aimed at restoring and maintaining budget, service and cash solvency for the City and its residents.

SECTION 3. Authorization To File Disclosure Statement and Plan of Adjustment, and Further Related and Necessary Documents in Furtherance of the Resolution of the City's Chapter 9 Case.

(a) The City Attorney or his appropriate designee is hereby authorized and directed, on behalf of and in the name of the City, and, where appropriate, with the assistance and/or advice of the City Manager, to approve and file the Disclosure Statement and the Plan of Adjustment, and to file amendments to the Plan of Adjustment and/or the Disclosure Statement and all related and necessary documents, in furtherance of the resolution of the City's chapter 9 case.

(b) The City Attorney and all other appropriate officials and employees of the City are hereby authorized to execute and file all other papers, and to take any and all actions which they shall deem necessary and proper in connection with the filing of the Plan of Adjustment and the Disclosure Statement, and for the execution of the major actions and implementation of the Plan of Adjustment, with a view to the successful completion of the City's chapter 9 case.

SECTION 4. Other Actions. The City Attorney, City Clerk, and other appropriate officers of the City, each acting alone, are authorized to take such other actions as are appropriate to carry out the intent of this Resolution.

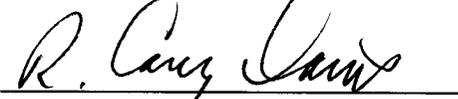
1 **RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE CITY OF SAN**
2 **BERNARDINO AUTHORIZING THE IMPLEMENTATION OF THE CITY'S FISCAL**
3 **RECOVERY PLAN, THE FILING OF THE CHAPTER 9 PLAN OF ADJUSTMENT**
4 **AND DISCLOSURE STATEMENT, AND THE FILING OF RELATED DOCUMENTS**

5 I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Mayor and
6
7 Common Council of the City of San Bernardino at a joint regular meeting thereof, held on the
8 18th day of May, 2015, by the following vote, to wit:

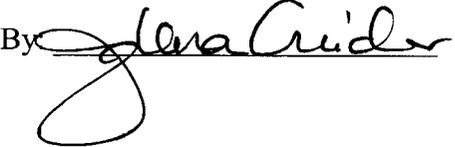
9 Council Members:	AYES	NAYS	ABSTAIN	ABSENT
10 MARQUEZ	<u> X </u>	_____	_____	_____
11 BARRIOS	<u> X </u>	_____	_____	_____
12 VALDIVIA	_____	<u> X </u>	_____	_____
13 SHORETT	<u> X </u>	_____	_____	_____
14 NICKEL	<u> X </u>	_____	_____	_____
15 JOHNSON	<u> X </u>	_____	_____	_____
16 MULVIHILL	<u> X </u>	_____	_____	_____

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20 Georgeann Hanna, City Clerk

21 The foregoing Resolution is hereby approved this 21ST day of May, 2015.

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24 R. CAREY DAVIS, Mayor
City of San Bernardino

25 Approved as to form:
26 GARY D. SAENZ, City Attorney

27 By 
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RESOLUTION NO. 2015-71

RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE CITY OF SAN BERNARDINO ESTABLISHING AND ADOPTING OPERATING PRACTICES FOR GOOD GOVERNANCE.

WHEREAS, the People of the City of San Bernardino have chosen to exercise their right and power under the California Constitution to organize as a charter city, and have adopted the City Charter, which serves as the City's constitution; and

WHEREAS, the intent of the People of the City in choosing this form of home rule government was to promote the efficient and effective operation of City government; and

WHEREAS, the Strategic Planning Core Team examined the provisions of the San Bernardino City Charter that establish the distribution of duties and powers within City Government; and

WHEREAS, the primary role of the Common Council is to establish city policy through the Council's legislature power, pursuant to Article III of the City Charter; and

WHEREAS, the primary role of the Mayor is to serve as chief executive and spokesperson for the city pursuant to Article IV of the City Charter, provided that he also has the power, subject to Council approval, to appoint and generally supervise the City Manager, and approve or disapprove ordinances, as well as certain other specified duties and powers; and

WHEREAS, section 102 of the City Charter specifies the many duties and powers of the City Manager, the most significant of which is to direct and exercise immediate supervision over the administration of all Manager-directed City departments; and

WHEREAS, section 104 of the City Charter provides broad authority to the City Manager to exercise his appointment and management duties without interference; and

WHEREAS, under Charter Section 55, the role of the City Attorney is to be the chief legal officer of the City, and in that capacity to represent and advise the Mayor, Common Council and other City officers; and

WHEREAS, other provisions of the City Charter provide for an elected City Treasurer and City Clerk, and specify the important duties and powers of those officials; and

WHEREAS, in certain respects the provisions of the Charter establishing the distribution of duties and powers within City Government appear unclear or inconsistent, which imposes an impediment to the efficient functioning of the City Government; and

1 **WHEREAS**, under established municipal law principles, these City Charter provisions
2 must be harmonized in a reasonable manner to promote the public interest and intent of the
3 voters in approving those provisions; and

4 **WHEREAS**, in other charter cities that function effectively and efficiently, substantial
5 deference and discretion is provided to the city manager to manage and supervise the operations
6 of city government; and

7 **WHEREAS**, all parties hereto recognize that the efficient functioning of the City
8 Government is essential to the City's ability to Adopt a Plan of Adjustment and to emerge from
9 bankruptcy; and

10 **WHEREAS**, the City of San Bernardino's Strategic Planning Core Team ("Team"), a
11 group of diverse community and institutional leaders, was tasked with recommending to the City
12 Council a new direction for the City, a strategic plan; and

13 **WHEREAS**, this plan will provide a roadmap for the renaissance of San Bernardino and
14 direction for the City's impending bankruptcy exit plan, i.e. Plan of Adjustment; and

15 **WHEREAS**, in order to plan for a new future the Team established that it was important
16 to understand the current organizational context and they listened to a high-level assessment of
17 the City organization to evaluate barriers to excellence; and

18 **WHEREAS**, the Team discussed potential causes for the City's bankruptcy, the reasons
19 why the City cannot provide adequate services and why it is so hard to determine who is in
20 charge and ultimate accountability for organizational performance; and

21 **WHEREAS**, the Team feels that the foregoing issues need to be addressed in order to
22 achieve the vision and goals of a strategic plan and exiting bankruptcy; and

23 **WHEREAS**, it is apparent to the Team that the City's Charter is a compendium of
24 conflicting provisions, a recipe for inefficiency and finger pointing given the overlapping of
25 legislative (policy making) and managerial responsibilities between the Mayor, Common
26 Council, City Attorney and City Manager; and

27 **WHEREAS**, it is unclear who is in charge and whom to hold accountable; and

28 **WHEREAS**, the bankruptcy judge has ordered the City to produce a Plan of Adjustment
by May 30, 2015; and

WHEREAS, the City's economy continues its slide as an economic island in one of the
fastest growing regions in the country; and

WHEREAS, the Team feels that a change in decision making and operating practices
needs to occur immediately; and

1 **WHEREAS**, the Team recommends that a process should be put into place leading to a
2 new City Charter that draws from other successful cities' experiences; and

3 **WHEREAS**, the Team recommends that the four principals (Mayor, Common Council,
4 City Attorney and City Manager) should agree to a list of operating practices that are ubiquitous
in high functioning cities of a similar size; and

5 **WHEREAS**, the Team recommends that given the complex San Bernardino City
6 Charter, the City should seek an independent legal review to ensure the principles in the
7 Operating Practices can be effectuated on an interim basis until a wholesale Charter revision can
take place and be submitted to the voters; and

8 **WHEREAS**, the City has retained Renne Sloan Holtzman Sakai LLP to review the
9 Operating Practices to ensure that they can be effectuated without violating the Charter;

10 **NOW THEREFORE, BE IT RESOLVED BY THE MAYOR AND COMMON**
11 **COUNCIL OF THE CITY OF SAN BERNARDINO AS FOLLOWS:**

12 **SECTION 1.** The Mayor and Common Council has reviewed and considered the
13 recommendations of the Strategic Planning Core Team and hereby establishes and adopts the
14 Operating Practices for Good Governance, attached hereto as Exhibit "A" and by this reference
15 made a part hereof.
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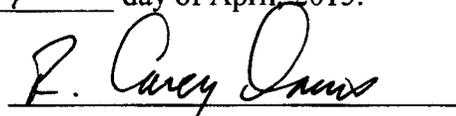
RESOLUTION OF THE MAYOR AND COMMON COUNCIL OF THE CITY OF SAN BERNARDINO ESTABLISHING AND ADOPTING OPERATING PRACTICES FOR GOOD GOVERNANCE.

I HEREBY CERTIFY that the foregoing Resolution was duly adopted by the Mayor and Common Council of the City of San Bernardino at a joint regular meeting thereof, held on the 6th day of April, 2015, by the following vote, to wit:

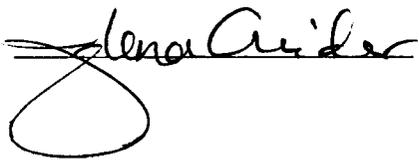
<u>Council Members:</u>	<u>AYES</u>	<u>NAYS</u>	<u>ABSTAIN</u>	<u>ABSENT</u>
MARQUEZ	<u>X</u>	_____	_____	_____
BARRIOS	<u>X</u>	_____	_____	_____
VALDIVIA	_____	_____	<u>X</u>	_____
SHORETT	<u>X</u>	_____	_____	_____
NICKEL	<u>X</u>	_____	_____	_____
JOHNSON	<u>X</u>	_____	_____	_____
MULVIHILL	<u>X</u>	_____	_____	_____


Georgeann Hanna, City Clerk

The foregoing Resolution is hereby approved this 10th day of April, 2015.


R. Carey Davis, Mayor
City of San Bernardino

Approved as to form:
Gary D. Saenz, City Attorney

By: 

OPERATING PRACTICES FOR GOOD GOVERNMENT

Common Council:

- 1) The role of the Common Council is legislative in character, which includes the power to set policy, approve contracts and agreements and undertake other obligations consistent with the Charter and Code, while deferring to the discretion of management and staff to choose the appropriate means to achieve the Council's goals.
- 2) The Common Council will make the necessary decisions to expeditiously exit bankruptcy, as well as develop and implement a strategic and tactical plan that ensures the City of San Bernardino's success in the foreseeable future. To this end, it will comply with Judge Jury's order to produce a confirmable Plan of Adjustment by May 30, 2015.
- 3) The Common Council will provide the resources to pursue the City's best interests in bankruptcy court along with a robust communication plan to inform the citizenry of what is at stake.
- 4) The Common Council, as the elected body serving all of the residents of the City, shall perform its duties and exercise its powers in a manner that serves the best interests of the entire City, rather than any particular geographic area or special interest.

Mayor:

- 1) The Mayor will build consensus with the Common Council to create and implement a shared vision and plan of implementation to restore the City's fiscal integrity.
- 2) The Mayor will establish and maintain partnerships and regional leadership roles to advance the City's interest.
- 3) The Mayor will be the key "face" and chief spokesperson for the City.
- 4) The Mayor will be the presiding officer at meetings of the Common Council and will fully participate in discussions.
- 5) The Mayor will, consistent with the separation of powers contemplated by a reasonable reading of the City Charter, not interfere with the discretion of the City Manager in the exercise of his powers and the performance of his duties under the City Charter.
- 6) The Mayor will work with the Common Council and City Manager to coordinate goal setting and the performance evaluation of the City Manager.

Mayor and Common Council:

- 1) The Mayor and Common Council will jointly develop clear expectations of the City Manager and hold him/her accountable by conducting performance evaluations at least every six (6) months.
- 2) The Mayor and Common Council will develop and implement norms (Code of Conduct) to guide and direct their interactions and duties, including measures to hold one another accountable for deviations from the goals and principles set forth in the City Charter, City Code and these Operating Practices.

- 3) Neither the Mayor nor the Common Council will interfere with the judgment and discretion of management staff with respect to the duties that are typically managerial in nature, such as the appointment, removal, and supervision of subordinate staff.
- 4) Neither the Mayor nor the Common Council will direct departmental staff (other than those in their own departments).

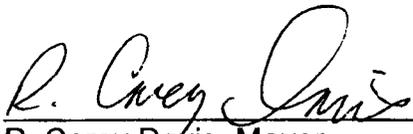
City Attorney:

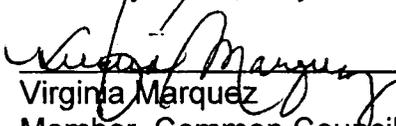
- 1) The City Attorney will focus his attention and resources on the performance of his duty as chief legal officer to provide legal advice to the Mayor, Common Council and City Manager, and the management of his office, and shall leave the formulation of policy and managerial matters exclusively to those officials charged by the City Charter with those duties.

City Manager:

- 1) The City Manager will be the sole authority for managing City operations and directing City staff in those departments under his supervision.
- 2) The City Manager will make business and policy recommendations based solely his or her independent professional judgment and best practices in the best interests of the City, rather than political considerations, and to this end shall strictly guard against interference with the performance of his duties.
- 3) The City Manager will have both the authority and accountability to produce a confirmable Plan of Adjustment for Common Council approval by May 30, 2015.
- 4) The City Manager will be responsible for implementing the Plan of Adjustment to ensure the City exits bankruptcy as soon as possible.
- 5) The City Manager will be accountable for the implementation of Council goals and policy and the overall performance of the City.
- 6) The City Manager will be responsible for ensuring that the Common Council and Mayor are fully informed on all aspects of important emerging issues, and as part of that responsibility will fully brief the Common Council at their Council Meetings on business matters before them.

Signed:

 Date: 4/6/2015
 R. Carey Davis, Mayor

 Date: 4/6/2015
 Virginia Marquez
 Member, Common Council

 Date: 4/6/2015
 Benito J. Barrios
 Member, Common Council

Date: _____
John Valdivia
Member, Common Council

Fred Shorett
Date: 4/6/15

Fred Shorett
Member, Common Council

Henry Nickel
Date: 4/6/15

Henry Nickel
Member, Common Council

Rikke Van Johnson
Date: April 6, 2015

Rikke Van Johnson
Member, Common Council

James Mulvhill
Date: April 6, 2015

James Mulvhill
Member, Common Council

Gary D. Saenz
Date: April 6, 2015

Gary D. Saenz
City Attorney

Allen J. Parker
Date: 4/6/2015

Allen J. Parker
City Manager