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San Bernardino Targets $190,000 Firefighter Pay in Court.

San Bernardino, California, said that to exit bankruptcy it must terminate a union contract that pays an average annual salary of $190,000 to each of its top 40 firefighters.

In about three weeks, the city may try to use a federal bankruptcy law to cancel firefighter and police contracts if talks on new agreements fail, its lead bankruptcy attorney, Paul Glassman, told U.S. Bankruptcy Judge Meredith Jury at a hearing yesterday.

Since filing for bankruptcy in August 2012, the city has been mired in conflict with its unions and its biggest creditor, the California Public Employees' Retirement System, which it owes about $143 million, according to court papers.

The city told the judge yesterday that it has a final deal with Calpers. That leaves the unions as some of the last groups the city must win over, or beat in court, to put together a debt-adjustment plan that will return the community of about 200,000 to fiscal stability.

"We are different from every other creditor in the room," David Goodrich, an attorney for the city firefighters union, said in court. He said San Bernardino is conspiring to close the fire department and contract out with another agency for the service. The city plans "to go after our pay and benefits and possibly the fire department itself," he said.

Calpers Confidential

Glassman didn't give details of the deal with Calpers, citing confidentiality rules imposed as part of mediation. The agreement will become public when the city brings it before Jury for approval.

City officials looked at the top 120 firefighters, its financial adviser Michael Busch told Jury. The average pay for the top 40 was $190,000 annually; the next 40 averaged $166,000 and the next 40, $130,000.

That scale is protected by a voter-approved city charter amendment that went through several years ago. The amendment limits how the city can negotiate union workers' pay.

The city may ask voters to remove the amendment in November, Glassman said. Jury called that an "important" step in the bankruptcy.

The police force should know within three weeks whether it has a deal with the city, union attorney Ron Oliner said in court. The firefighters have already concluded that a deal isn't possible and want to begin the battle over whether the city has the right to cancel the contract in bankruptcy court, Goodrich said.

San Bernardino, about 60 miles (97 kilometers) east of Los Angeles, was the third California city to file for bankruptcy in a three-month span in 2012. It cited a fiscal emergency brought on by a $46 million budget shortfall caused in part by the real estate crisis.

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

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