

# **Bond Case Briefs**

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## **San Bernardino Council Backs Bankruptcy Plan That Hammers Bondholders.**

LOS ANGELES — San Bernardino's council approved a bankruptcy exit plan on Monday night that seeks to virtually eliminate the southern California city's pension bond debt while paying Calpers, the state pension system, in full.

The city council voted 6-1 for the plan after a debate which included input from residents.

The bankruptcy blueprint, called a plan of adjustment, must now be presented to the federal judge overseeing the city's bankruptcy by May 30, under a court-imposed deadline.

Under the plan, city officials want to slash their \$50 million pension debt to just a penny on the dollar. The city previously agreed to pay Calpers, its biggest creditor, in full now and at all times in the future, an agreement incorporated into the plan.

The Luxembourg-based bank EEPK, holder of the \$50 million pension obligation bonds, Ambac Assurance Corp, which insures a portion of the bonds, and Wells Fargo, the bond trustee, have declined to comment since the plan was released last Thursday.

San Bernardino also intends to virtually eliminate retiree health care costs under the plan, and to outsource its fire, emergency response and trash services.

San Bernardino, a city of 205,000 65 miles east of Los Angeles, declared bankruptcy in August 2012 with a \$45 million deficit.

Along with Detroit, Michigan, and Stockton, California, it has been one of a handful of municipal bankruptcies that have been closely watched by the \$3.6 trillion U.S. municipal bond market.

(Reporting by Tim Reid; Editing by Richard Borsuk)

By REUTERS  
MAY 19, 2015