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San Bernardino Bankruptcy Leaves Little for Police-Brutality Payouts.

Officers were praised after mass shooting, but California city's fiscal woes mean plaintiffs in excessive-force lawsuits could get just 1% of promised settlements

Terry Wayne Jackson died March 1, 2009, after several San Bernardino, Calif., police officers, responding to complaints that the 21-year-old mentally ill man wasn't wearing pants in a park, wrestled him to the ground and tasered him.

His mother, Sheryl Nash, sued and won. City leaders promised to pay \$686,000 by July 15, 2012. Two weeks after that deadline, San Bernardino filed for bankruptcy.

City officials now say they can't afford to pay Mr. Jackson's mother or the more than 100 others who have sued San Bernardino for injuries and deaths allegedly caused by its police officers and employees.

Under the city's recent proposal to exit bankruptcy protection that still needs a judge's approval, she might get only 1% of what the city settled for: \$6,860.

Lawyers for Mr. Jackson's mother and other families with settlements are fighting the proposed cost-cutting plan—a battle that shines a light on the police department's troubles amid an outpouring of praise for how its officers handled the Dec. 2 mass shooting that killed 14 people. Politicians and law-enforcement experts lauded the city's officers for a quick response that prevented the attack from escalating.

San Bernardino's police department has been hit hard by the city's financial problems, losing 30% of its officers in recent years despite the city's high violent-crime rate. Under the bankruptcy plan, the city would spend \$56.5 million in the next five years to hire more officers and buy new vehicles.

The plan, however, would inflict some of the deepest cuts on people who have sued over incidents of alleged police brutality or excessive force. San Bernardino faced 109 lawsuits seeking a total of \$19 million in "personal injury and bodily injury" claims against the city and its employees as of Nov. 25.

Lazaro Fernandez, a lawyer for Mr. Jackson's mother and other families with settlements, said they are "entitled to collect the full amounts" owed by the city.

"[These are] individuals whose lives have been forever changed by the actions of employees of the [city]," Mr. Fernandez said in court papers.

Gary Saenz, a lawyer for San Bernardino, didn't respond to emailed requests for comment.

U.S. Bankruptcy Judge Meredith Jury is scheduled to review objections to the city's bankruptcy-exit summary at a March 9 hearing. If she approves the plan, it would go to creditors for a vote.

Paul Glassman, a lawyer for San Bernardino, defended the proposed cuts at a recent court hearing, calling San Bernardino “a deeply service-insolvent city.”

Cities that declare bankruptcy have the power to cut payments they have promised to Wall Street, retired workers and other creditors. But bankruptcy law doesn’t say how much people behind police lawsuits should be paid when a city files for protection.

San Bernardino’s plan proposes a 1% payment rate, though city officials promised to negotiate each lawsuit separately. Some might get insurance money, the city said, though it hasn’t provided details.

A federal judge cleared Detroit to pay less than 15% of what it owed in lawsuit settlements and judgments despite protests from those affected that the amount was too low. A California judge who handled an excessive-force lawsuit in Vallejo, which emerged from bankruptcy in 2011, called it “alarming” that bankruptcy law can let a city “erase its own liability” when its police officers violated a person’s civil rights.

“Civil-rights advocates may need to go to Congress and get clarification so there are better protections for victims of police brutality,” said Melissa Jacoby, a law professor at the University of North Carolina-Chapel Hill.

San Bernardino filed for bankruptcy Aug. 1, 2012, saying it would otherwise run out of money to pay city employees. Housing prices in the city, about 60 miles east of Los Angeles, plummeted during the economic slowdown, leading the city to take in less revenue from property taxes.

City lawyers who drew up a bankruptcy-exit strategy freed up money for the city’s roads, information-technology systems and city hall, which needs \$20 million to prepare it for earthquakes. The plan proposes steep cuts to health-care benefits for retired city workers and to payments to a European bank that lent the city \$51 million to cover pensions. Like Mr. Jackson’s mother, bondholders can expect to be repaid 1% and have objected to the plan.

In Detroit’s bankruptcy, the largest municipal case in U.S. history, city leaders offered a higher recovery rate of 13% to people who had sued the city and to other groups with similar debts, though city officials are expected to negotiate each claim individually.

Among those suing Detroit when it filed for bankruptcy was Walter Swift, who was wrongfully convicted of criminal sexual conduct in 1982 and spent 26 years in prison. His lawyer complained in court papers that the city’s bankruptcy further delayed the civil-rights lawsuit filed in 2010. The case was settled after Detroit’s bankruptcy ended in late 2014 and Mr. Swift received \$2.5 million, said Bill Goodman, his lawyer.

“We settled for less than we otherwise would have because of the reality of the bankruptcy,” Mr. Goodman said.

Those who were offered the 13% recovery had the chance to vote to reject the offer, and many of them did. But a bankruptcy judge ruled Detroit’s survival outweighed the rights of people with judgments against the city.

“Detroit’s inability to provide adequate municipal services runs deep and has for years,” Judge Steven Rhodes said at the time. “It is inhumane and intolerable, and it must be fixed.”

THE WALL STREET JOURNAL

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Jan. 7, 2016 5:28 p.m. ET

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