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Judge Confirms San Bernardino, California's Plan to Exit Bankruptcy.

SAN FRANCISCO — San Bernardino, California, won final court approval on Friday for its financial restructuring plan, clearing the way for the city to wrap up the bankruptcy case it launched more than four years ago when its leaders learned it was facing insolvency.

“I look forward to the city having a prosperous future,” U.S. Bankruptcy Judge Meredith Jury said at the conclusion of a hearing in Riverside, California.

Jury said she would sign a confirmation order soon and issue a written opinion on her decision.

City Attorney Gary Saenz told Reuters he expects the city’s plan to take effect in late March or early April.

“We’re well on our way,” Saenz said.

Jury’s decision capped San Bernardino’s efforts, including lengthy negotiations with its employees, retired employees and creditors, to repair its finances, Mayor Carey Davis said.

“It allows us to be free of the stigma of being in bankruptcy,” Davis said.

In December, Jury had said she would approve San Bernardino’s plan, the product of a bankruptcy that cost the Southern California city at least \$25 million to press and litigate.

San Bernardino filed for Chapter 9 municipal bankruptcy in 2012, marking the third filing of its kind that year by a California city.

San Bernardino’s filing came on the heels a report by city staff that said the city faced an imminent financial crisis because it had exhausted its reserves and projected spending for the looming new fiscal year would exceed revenue by \$45 million.

The city’s plan for mending its finances involves cutting costs by folding its fire department into San Bernardino County’s fire services district.

Retiree healthcare costs will also get slashed while city employees’ pensions will be protected, and San Bernardino will pay holders of its pension obligation bonds 40 percent of what they are owed to erase \$45 million of the debt over time.

San Bernardino expects its restructuring to cut \$350 million in spending over 30 years, according to a city spokeswoman.

The city’s plan promises to restore financial stability, said Michael Sweet, a partner at the Fox Rothschild law firm in San Francisco who handles municipal restructurings.

“I like the fact that they just didn’t budget their way through this, but made significant structural

changes, which appears to have put them a much better footing,” Sweet said.

“We’ll have to see if it holds,” Sweet added.

The case is In re City of San Bernardino, in U.S. Bankruptcy Court, Central District of California, No. 12-28006.

By REUTERS

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