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City of San Bernardino Financial Status Update

At a special session of the City Council on the evening of Wednesday, July 18, 2012, the Council considered two issues concerning San Bernardino's potential Chapter 9 bankruptcy filing. The first item was a finding on whether or not San Bernardino is in a state of fiscal emergency. A declaration of fiscal emergency may exempt the City from a required 60-day mediation period with creditors prior to the filing in accordance with AB 506. The seven council members found by a vote of 5 to 2 that San Bernardino's immediate cash flow situation is so dire that a fiscal emergency does exist.

Following that decision, the council considered the second item which was a vote on whether or not to pursue a Chapter 9 filing. This item also passed by a vote of 5 to 2.

These votes mean that the City of San Bernardino will move forward with its plans to file for Chapter 9 bankruptcy protection in approximately 30 days. It does not mean the City will not negotiate in good faith with its creditors – just that it may not complete those negotiations prior to the Chapter 9 filing.

The next step for the City of San Bernardino will be to establish a short-term budget to allow it to continue its operations until a long-term plan is determined. That budget is expected to be presented to the Council during a special session set for Tuesday, July 24, at 5 p.m.

San Bernardino has not ceased providing any services to the community and is committed to continuing to provide all essential services throughout the bankruptcy process. As of this date, it has continued to meet its financial obligations to vendors, creditors, and employees and intends to continue to meet those obligations over time. The goal for the Chapter 9 process is to allow the City of San Bernardino the time it needs to correct its cash flow situation and set it on a sound financial course moving forward.