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JUDGE ORDERS THE CITY OF VALLEJO AND THE UNIONS TO MEDIATION ON THE MOTION TO REJECT COLLECTIVE BARGAINING AGREEMENTS

This afternoon, Judge Michael McManus issued a short order compelling the City of Vallejo, the International Association of Firefighters (IAFF) and the International Brotherhood of Electrical Workers (IBEW) to mediate their disputes over whether the collective bargaining agreements should be rejected, the damages that will flow from rejection and the terms of any new agreements in the event of rejection. The mediator will be Elizabeth L. Perris, a bankruptcy judge resident in Portland, Oregon. Judge Perris has been a bankruptcy judge for over 20 years, and has served two terms on the Bankruptcy Appellate Panel of the Ninth Circuit. The schedule for the mediation will be set by Judge Perris, in consultation with the unions and the City.

The motion for approval of the rejection of the City's collective bargaining agreements was filed by the City in June, 2008 after the City filed its petition for relief under chapter 9 of the United States Bankruptcy Code. Approval of the motion would allow the City to move forward with the restructuring of its labor costs and developing a viable plan of adjustment. While the City has other debts it must adjust, the City cannot restore balance to the General Fund unless it restructures labor costs. A settlement through the mediation process also would permit the City to achieve its goals. If the mediation does not result in a settlement, Judge McManus will rule on the rejection motion.

Despite extensive efforts prior to this ruling, the City, IAFF, and IBEW have been unable to agree on modifications that would lead to financial stability for the City. The City did reach agreements to modify the existing collective bargaining agreements in January 2009 with the Vallejo Police Officers' Association (VPOA) and the Confidential, Administrative, Managerial, and Professional Association of Vallejo (CAMP).

While the City would have preferred a ruling on the merits, it is pleased that Judge McManus chose a bankruptcy judge to serve as the mediator, rather than a labor mediator, as suggested by the unions. The City is hopeful that the mediation will lead to an agreement.

More information regarding the City of Vallejo bankruptcy case can be found on the city website at www.ci.vallejo.ca.us