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BANKRUPTCY COURT GRANTS CITY'S MOTION FOR APPROVAL OF REJECTION OF COLLECTIVE BARGAINING AGREEMENT WITH IBEW

Today, United States Bankruptcy Judge Michael McManus issued findings of fact and conclusions of law approving the City of Vallejo's rejection of the collective bargaining agreement between the City and the International Brotherhood of Electrical Workers (IBEW). The City had filed the motion in June of 2008, and Judge McManus heard two days of testimony on it in February of this year. On March 13, Judge McManus rejected arguments by IBEW and the International Association of Firefighters (IAFF) that the bankruptcy court lacked the power to reject municipal collective bargaining agreements. The ruling on whether the IBEW contract should be rejected was delayed, however, by the mediation before another Bankruptcy Judge, Elizabeth Perris of Portland, Oregon, ordered by Judge McManus in late March. Today's ruling followed the breakdown of negotiations during which both parties attempted to reach an agreement.

In his ruling, Judge McManus emphasized that the court's prior findings regarding the City's eligibility for chapter 9 relief, in themselves, justified granting the rejection motion by clearly establishing "the City's insolvency, its previous efforts at reducing expenses (without modifications to the CBAs) and increasing revenues, its persistent and good faith attempts to negotiate with the Unions for modifications to the CBAs, and the need for economic concessions from its labor force given that labor costs represent approximately three-quarters of its annual expenditures." In granting the rejection motion as IBEW, Judge McManus underscored that the "additional evidence produced in connection with the [rejection] motion served primarily to corroborate the foregoing and demonstrate the continuing good faith efforts by all parties to negotiate modifications to the CBAs in the face of the City's further declining revenues." Based on the evidence the City presented in support of the motion, Judge McManus concluded, among other things, that "[g]iven the state of the City's financial situation, the City cannot afford the IBEW CBA."

The City already has reached 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). Last week, Judge McManus approved the City's agreement with IAFF pursuant to which the IAFF collective bargaining agreement was rejected and the parties agreed to an expedited process aimed at reaching agreement on a new collective bargaining agreement.

The City is pleased with the Judge's ruling, as it will permit the City to focus its efforts and resources on the development of a plan of adjustment that will enable the City to achieve long-term financial stability and to successfully emerge from bankruptcy. While the City has other debts it must adjust, the City cannot restore balance to the General Fund unless it restructures labor costs, and new contracts with IAFF and IBEW will be a critical part of any plan of adjustment.

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