



FOR IMMEDIATE RELEASE – **September 5, 2008**

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### **JUDGE RULES IN FAVOR OF CITY OF VALLEJO – CITY CHAPTER 9 PETITION APPROVED**

Judge Michael McManus ruled today that the City is eligible to be a debtor in its chapter 9 Bankruptcy case. The ruling follows a hearing that included more than seven days of testimony. Judge McManus rejected the objections filed by the International Association of Firefighters, Vallejo Police Officer's Association, and the International Brotherhood of Electrical Workers. In their objection, the unions contended, among other things, that the City was not insolvent because it could have accessed funds that the City claimed were restricted by federal and state grants and other limitations.

In his 52-page ruling, Judge McManus made 115 Findings of Fact that accepted the City's evidence that it was insolvent on the date of the filing of the bankruptcy petition and that it had negotiated in good faith with the labor unions and others prior to taking the drastic step of seeking bankruptcy relief. The judge's 29 Conclusions of Law accepted the City's legal arguments that the City had satisfied each of the elements necessary for a municipality to be eligible for bankruptcy relief, including that it had filed its petition in good faith.

The case will now move to the next phase. The City has filed a motion for an order approving the rejection of the collective bargaining agreements with the four labor unions that represent most city employees. The restructuring of labor agreements is critical for the City to emerge from bankruptcy with a comprehensive plan of adjustment that returns its General Fund to solvency and creates a stable financial structure for the long term. The City also will meet with other creditors including the financial institutions that hold its publicly financed debt.

While past attempts to negotiate modifications to collective bargaining agreements to ensure long term solvency have been unsuccessful, the City is hopeful that the labor associations will re-engage and the parties will be able to agree on modifications to the labor agreements that provide such long term solvency.

“The City has always been, and remains, interested in a long term solution that is negotiated with our labor associations. Our employees are our most valuable asset and, with limited resources, provide excellent service to our citizens,” stated Joe Tanner, City Manager.

The City continues to provide regular services to its citizens. The City is operating under a pendency plan during the bankruptcy case in which salaries have been held at the levels in effect on the date the City filed its chapter 9 petition.

The next hearing date will be held on September 8, 2008, at which time the topic will be scheduling various dates in connection with the City's motion to reject the collective bargaining agreements.

More information regarding the City of Vallejo bankruptcy, including today's ruling, can be found on the city website at [www.ci.vallejo.ca.us](http://www.ci.vallejo.ca.us)