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## **JUDGE RULES THAT COLLECTIVE BARGAINING AGREEMENTS MAY BE REJECTED**

In a memorandum opinion filed this afternoon, United States Bankruptcy Judge Michael McManus ruled that the Bankruptcy Code and California law authorized the City to reject collective bargaining agreements. Judge McManus scheduled a status conference hearing for March 23rd, at which time the City, the International Association of Firefighters (IAFF) and the International Brotherhood of Electrical Workers (IBEW) will report on the status of labor negotiations and will respond to questions raised by the Judge about the allocation of labor costs among the various funds controlled by the City. At the hearing, the Judge likely will set a timetable for further hearings, if any. It is unknown when he will rule on whether the two agreements at issue should be rejected, but the City will press for an early decision.

Today's ruling rejects the arguments by the unions that the bankruptcy court lacked the power to reject collective bargaining agreements and instead was compelled to defer to state law and state courts. In his ruling, Judge McManus opined that neither the California Supreme Court Sonoma County decision relied upon by the unions nor any state labor law, provides the applicable standard controlling the rejection of the City's collective bargaining agreements. Rather, the standard is the one enumerated by the United States Supreme Court in its *Bildisco* decision.

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 will allow the City to move forward with the restructuring of its labor agreements 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 the labor agreements.

The City did reach agreements in January 2009 to modify the former collective bargaining agreements with the Vallejo Police Officers' Association (VPOA) and the Confidential, Administrative, Managerial, and Professional Association of Vallejo (CAMP). The City Council and memberships of both groups have ratified these new agreements.

Despite extensive efforts prior to this ruling, the IAFF and IBEW have not accepted modifications to their respective labor agreements that will allow the City to maintain solvency

in its General Fund. The efforts of labor to challenge the City's insolvency at a time of an unprecedented economic downturn and the labor groups ongoing intransigence regarding the modifications to their labor agreements has cost the City more than \$3.5 million in bankruptcy costs. These funds could have provided critical municipal services to the Vallejo community.

The City is pleased with the Judge's ruling, and believes that, following the next hearing or hearings, the Court will approve the City's rejection of both agreements. Such rulings will allow the City to focus its efforts and resources on the development of a plan of adjustment that will enable the City to successfully emerge from bankruptcy.

More information regarding the City of Vallejo bankruptcy case, including today's memorandum opinion, can be found on the city website at the [Bankruptcy Information](#) web page.