The Gavel--A Bankruptcy Court Update--9/10/08

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9/10/08

We went to the hearing on Monday, September 8 and we were disappointed in seeing that the motion to reject the CBAs (Collective Bargaining Agreements) was not addressed, other than scheduling dates.

From listening to Judge McManus and Mr. Levinson, it seems that the City and the Union will attempt to negotiate an agreement by early November. If that doesn't work out, then they will file all their paperwork for the Court and evidentiary hearings will begin in early December.

The difference this time is that the Rose Report has been toasted and the union lawyer is now forced to agree that the City is bankrupt. We don't know if the union is aware of this fact yet, but their lawyers seem to know.

Part of the delay is that a new salary and compensation survey needs to be performed by Andrew Belknap (Management Partners) A survey was done in May but an updated survey is expected to take 3 weeks. See Docket #74 on the City's bankruptcy info web for the previous survey.

We think the Court intends to ensure the best balance possible with respect to pain sharing, including bond holders and other parties as well as employee groups. One opinion is that it is in the best interests of the City and the Union to negotiate an agreement that doesn't unfairly or excessively injure either party, and without rejecting the contracts. The Union benefits are obvious. The agreement would likely include a 2 year extension. The City benefits by not having to pay rejection claims. We can't just walk away from the contracts without paying some kind of claims.

As has been said before, there are no winners in this situation, and the best thing to be done is minimize further delay and costs and begin the restructuring process. There's plenty of pain to go around as all parties accept the realities of Vallejo's bankruptcy.