



**For Immediate Release  
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## **Vallejo Employees Fight City's Bankruptcy in Federal Court**

Vallejo's employees today filed objections in court challenging the City's eligibility for bankruptcy, to protect Vallejo taxpayers, critical city services and wages and health care coverage for employees and retirees.

"Vallejo could have avoided bankruptcy—and still can—by accepting the employees' standing offer to cut \$10 million in salaries," said Dean Gloster, attorney for Vallejo's non-management employees. "The real cause of Vallejo's bankruptcy is that it won't take the same steps to control its costs as almost every other city or even to collect what it's owed."

Legal filings from Vallejo's employees made four principal arguments:

- 1) The City could have averted bankruptcy—and still can-- by accepting \$10 million in salary cuts offered by employees.
- 2) Vallejo is solvent. The city is in better financial shape than many prior years, with \$160 million in cash on hand. The city's own staff has also identified millions of dollars in surplus properties, eighteen different recommendations for increasing revenues, and there are tens of millions of dollars owed to the general fund that Vallejo has made no effort to collect. The city hasn't even applied for three years of funds owed to it by California.
- 3) Vallejo's financial problems are the result of decades of mismanagement, not excessive labor costs. Vallejo citizens pay less per capita for public safety services than other comparable Northern California cities with similar crime rates: In a survey of 18 comparable cities, 16 other cities pay more for public safety, per capita, than the citizens of Vallejo. Unfortunately, though, Vallejo has trouble even paying this lower cost, because over decades the city has racked up over \$250 million dollars in bond debt, much of it for ill-conceived redevelopment and transportation projects, all without developing a sales tax base. Despite the bankruptcy filing, this week the city council agreed to sell 192 prime acres on Mare Island for one dollar to build a research center that won't generate tax revenue.

- 4) Cutting employee and critical retiree benefits without changing the city's other obligations and the way it does business is unfair and especially harmful to retirees who earned those benefits over decades of service.

Vallejo's employees have long maintained that bankruptcy was unnecessary. An independent review of the City's finances by one of California's premier government accounting firms, Harvey Rose & Associates, concluded that with the offer on the table from its employees and reasonable steps to bring in revenue that are followed by almost all other California cities, Vallejo would have a \$6 million budget surplus this coming fiscal year.

The Harvey Rose report also recommended ways the city could generate millions of dollars from cost cutting and enhanced revenues, including the sale of more than a dozen surplus properties. Vallejo's managers have refused to follow most of the recommendations. Ken Shoemaker of the Vallejo Water Operations Department pointed to one of the most glaring examples of mismanagement: "Vallejo has free parking at its ferry terminal and the city's own survey found it charged 75% less for services than most others."

Prior to the bankruptcy filing, Vallejo's employee unions offered to help the city avert bankruptcy by proposing \$10 million in salary cuts—an offer the city rejected. Vallejo admitted in legal filings that the employees' offer would have solved the situation.

Vallejo's public employees discouraged the City from filing bankruptcy because it would hurt taxpayers. "Bankruptcy means taxpayers will be hit with millions of dollars in attorneys' fees and higher interest costs for city bonds," said Mat Mustard of the Vallejo Police Department. "And if Vallejo changes our contracts in court, that will create huge bankruptcy claims Vallejo taxpayers will have to pay for years. Bankruptcy will only end up hurting Vallejo's taxpayers."

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