

Bills, Bills, Bills

**By Reg P. Wydeven
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Money is tight all over. Last week we discussed changes to credit card laws to address the country's financial woes, stemming from skyrocketing gas prices and health care costs. The stock market is down, and so are the prices of homes.

Some people are working longer because their retirement plans and their homes have decreased in value. Businesses are laying off employees or closing their doors because of the economic downturn. But we, as consumers and employees or owners of businesses, aren't the only ones affected by these tough times – so are the towns, villages and cities we live in.

The city of Vallejo, California is addressing the problem in an unorthodox way by declaring bankruptcy. The city council voted unanimously to file for Chapter 9 protection after failing to successfully negotiate with police, fire and other unions working for the city. The San Francisco suburb of 117,000 people blames its financial woes on overly generous pay and benefits to its police and firefighters, which account for 75-80% of the city's general fund.

Vallejo is also expected to lose another \$5 million in revenue because of decreasing property values and a loss in retail sales. The city wants to file for bankruptcy prior to June 30, when its fiscal year ends, due to its \$16 million budget deficit with no money in reserve.

If a judge approves the filing, the city would be able to restructure union contracts and other debts, allowing it to climb out of debt within the next few years. If not, the legal costs of the proceedings could make the situation even worse. Police, fire and electrical workers union representatives all opposed filing for bankruptcy, claiming it would only make hiring already short-staffed public safety agencies even harder.

While other municipalities have previously filed for bankruptcy, Vallejo is the first to do so because its revenues failed to cover its expenses. Desert Hot Springs filed in 2001 after losing a lawsuit, while Orange County declared bankruptcy in 1994 after losing money in a series of poor investments.

They say you can't fight city hall, especially when it's in foreclosure.