MWD CONTRACT HIGHLIGHTS

The Metropolitan Water District of Southern California and its four bargaining units have reached agreement on new five-year contracts. The agreements with AFSCME, Local 1902; Management & Professional Employees Association (MAPA); Supervisors Association; and Association of Confidential Employees (ACE) have been ratified by the unions, and now await final approval by Metropolitan's Board of Directors at its September 15 meeting.

A SMART, PRUDENT DEAL

- At a time when Southern California is facing serious economic challenges, the labor unions and Metropolitan have reached tentative agreement on a groundbreaking contract that is estimated to save $*21* million for Metropolitan over the life of the contracts while at the same time providing for modest wage and benefit increases.
- Highlights of the new agreement include:
  - No cost-of-living salary increases for the first year of the agreements.
  - The Supervisors Association, which had previously negotiated a 2% salary increase for 2009, elected to forego the increase.
  - ACE agreed to forego its previously negotiated Pay-for-Performance Plan, which provided lump sum payments annually to eligible employees aggregating 3% of ACE payroll.
  - 2% salary increases across the board the second year of the contract.
  - In years 3-5 of the contract, across-the-board salary increases equivalent to the increase in the CPI for the Los Angeles-Riverside-Orange County areas with a cap of 7% on the maximum increase possible and a provision for zero salary increases in the event of a deflationary economy.

BENEFIT INNOVATIONS

- These agreements include groundbreaking structural changes to employee benefit packages that will benefit both Metropolitan and its employees as it provides for cost containment without layoffs or furloughs. These changes result in long-term cost savings that have only been estimated for a five year period of time, but will continue after the five year contract period.
- Benefit restructuring, which will include implementation of the PERS 2.5%@55 formula, up from 2%@55, with costs offset by employee concessions, including:
    - Elimination of annual payouts for unused sick leave and vacation;
    - Elimination of one paid holiday and one personal leave day;
    - Reductions to Metropolitan's 401(k) matching contributions;
    - Greater employee contributions towards retiree medical costs.
- The refined package will bring Metropolitan up to the mid-range in terms of what its member-agencies offer retiring employees.
- An innovative structure to help fund current and future retiree medical insurance costs. Current employees will contribute 2% of their annual salary toward retiree medical insurance to help fund Metropolitan's Other Post-Employment Benefits ("OPEB") costs. New employees will contribute 8% of salary for this purpose. Because new employees are contributing more, as current employees retire the amount contributed towards Metropolitan's OPEB liability will increase as Metropolitan replaces retiring employees.
- Implementation of a new vesting requirement for new employees for retiree medical insurance. Current employees are fully vested after 5 years' service with a CalPERS agency. New employees will not fully vest for 20 years. The new 20-year vesting period for health benefits would be among the longer vesting periods among public agencies in California.

INVENTIVE NEGOTIATIONS PROCESS

- The previous negotiations between Metropolitan and the unions took one and a half years of acrimonious debate. Metropolitan and the unions decided to find a better way to reach an agreement, in order to avoid the contentious battles of the past.
- Following intensive training sessions that enabled the parties involved in the negotiation process to explore a new approach and to enhance mutual respect and understanding, all four bargaining units and Metropolitan management sat down together to work out the details of the contract.
- Another unique feature was the commitment of all four bargaining units and management to sit together in the same room, as opposed to past negotiations in which each union negotiated its own contract separately.
- The shared decision to take a risk and try something different resulted in an agreement after just four months of negotiations.

FOCUSED ON THE FUTURE

- At a time when Southern Californians are facing resource shortfalls and utility rate increases, it is important for them to know that Metropolitan is looking ahead and employing strategies to maximize long-term stability and productivity.
- The unions and Metropolitan have agreed to a living contract in which day-to-day issues will be addressed as they go along so as to solve problems early.
- Both the unions and Metropolitan are committed to a novel approach known as gain sharing to develop ongoing cost-savings and efficiencies that are mutually beneficial.
- By reaching a longer-term contract than in the past, 5 years as opposed to 3 years for the previous two contracts, this agreement frees up Metropolitan and its employees to work together to try to solve the challenging water issues facing Southern California and the entire state.