Jan/Feb 2013

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The Official Publication of AFSCME Local 444
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by Ernie Schnider

At the February Board of Directors meeting the Division Managers presented their 'Strategic Plan Update and FY14-15 Budget Workshop' and discussed the 5 year budget outlook; which, based on previous projections of 5% annual rate increases, resulted in $55M annual shortfalls. This was presented on the backdrop of a hiring freeze, deferred maintenance, the recession and a drought. Managers from each Division presented how they were doing more with less and presented justification for doing *more* with *more* – that is the need to start hiring, resume and continue infrastructure reinvestment, and the need to raise rates. I think to all of our surprise, the Board responded positively, agreeing that a substantial – even double-digit (apparent code for a 12%) rate increase was due and necessary; that our customers demand a high quality product and service, and that they could deliver the message to their constituents.

This is good news that the Board of Directors are signaling to management that they are ready for a substantial rate increase, but it will be a few months before we see the numbers, and whether management will allocate that money to new fan-dangled engineering projects and other boon-doggles or to new hiring and wage increases. Mike Wallace did note the need to hire an additional 30-40 staff to cut down the deferred maintenance, but it was also noted that staffing was down 10% over the past 10 years – that is, we've lost 200 positions through out the District and seen an almost 4% reduction in overtime work, and 50% of our workforce is eligible for retirement in the next 5 years.

However, we should not get too excited about the Directors recognition of the need to increase revenues through rate increases yet. Management at the budget meeting did suggest that they thought we could meet the goals of the District – at least of long-term infrastructure investment and debt servicing, with only 'high single digit' (code for 9%) rate increases – presumably with the remainder of the shortfall coming on the backs of labor. The consistent theme of rising healthcare and pension costs was of course brought up, and at a recent Retirement Board meeting Director

Melon and GM Coate both told the actuary that he could assume a zero rate of increase on future salaries (though this was not voted on and the actuary still assumes 4.75%).

We will soon have our first real understanding of Management's position on labor in the next few days and weeks as the real work of Contract negotiations gets under way. Stay tuned.

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In terms of the loss of staff over the last 10 years (10% as mentioned above), I don't think the work has gone away. I think a lot more of it is getting contracted out. We should be aware of this and stop it when ever possible.

If you have seen your work being increasingly contracted out PLEASE contact someone on the Contracting-out Committee (Bricino is the Chair and Garaglia and Larsen sit on the committee – you can e-mail us at AFSCME444@gmail.com). I can't guarantee we can stop it, but if we don't know about it, we can't do anything about it – and, for that matter, if you know or suspect any of your work might be contracted out, contact us!

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EBMUD has joined as a plaintiff against the Big Banks in a civil suit for manipulation of LIBOR – which is the benchmark that variable rate bonds are often pegged to. The District has \$2.6B (yes, Billion) in outstanding bond debt, much of which was issued to finance Freeport. At the time, the banks selling the bonds and other financial advisors (and robbers) were telling the District to issue the bonds as variable rate instruments pegged to the LIBOR, then to create 'synthetic fixed-rate swaps' (derivatives) to protect against market variability. Many of the same banks actually set the LIBOR and were engaged in manipulation – rate rigging. Barclays was recently fined \$600M and RBS \$1.5 Billion for engaging in manipulation, and the investigation continues to grow.

These banks were keeping the LIBOR rates artificially low so that the District was receiving a low LIBOR payment in exchange for making a high fixed-rate payment. The two were supposed to have cancelled each other out, but with the rate rigging the District and many, many other public agencies who had been similarly duped, were paying far more for their bonded debt than they ought to.

The claims on the suit include Fraud and Deceit, Negligent Misrepresentation, Interference with Economic Advantage, Breach of the Covenant of Good Faith and air Dealing, and Unjust Enrichment! For more information on this suit go to: http://www.cpmlegal.com/cases-164.html

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And finally a note from Brother Corriea:

BE VERY CAREFUL WHERE AND WHAT YOU EAT AROUND THE NAB!
Our good right Bother Gerald Hunter was knocked down almost instantaneously with a Nasty food borne illness. He in fact was taken out of the NAB on a stretcher, after attempting to hang in there through our first meeting. Needless to say I think I will make sure and bring something from home to eat. I will tell you personally where he ate and where to not go!
David