

Chelan County PUD wage reduction actions

We've spent the past two years aggressively managing and reducing costs.

- Since 2007, we reduced full time equivalent employees (FTEs) by 23, saving \$2.3 million
- We reduced overtime, saving \$800,000
- We have cut \$27 million from the 2009 budget

We have taken a lot of steps to increase accountability and manage our expenses, and Chelan PUD ratepayers continue to have the second-lowest rates in the United States.

However, we are very reliant on market sales. And now we're experiencing the perfect storm:

- low snowpack
- low wholesale market prices for our surplus power
- low interest rates for our investments

The Chelan PUD faces a projected **\$19 million loss** by the end of 2009.

New solutions implemented today by the management team:

1. The executive management team has decided, voluntarily, to cut their pay by giving back their 2009 wage increase. They have decided to reduce their pay by taking 10 to 17 days without pay. The reduction is equal to the amount of the raises issued in February.
2. The executive management team's current salaries will be frozen until Feb. 1, 2011. And, if the PUD faces similar economic conditions next year, we will consider additional actions in the future, including another hard look at management wages.
3. We will also freeze the remainder of non-union employees' salaries until Aug. 1, 2010. Merit increases then will be awarded if financial conditions permit.
4. We will continue to bargain in good faith with the union on wages in light of current economic conditions, budget constraints, and the desire to maintain harmony in the workforce as a whole.
5. The District will continue restrictions in its hiring policy that every new or replacement position must be approved by the general manager.

6. During the annual budget process when the Board approves the salary budget for non-union employees, the Board will review and approve any changes to the District's compensation program.
7. We're pleased to report the union has joined with management in supporting a week without pay this year. We appreciate and recognize that our employees are stepping up and making sacrifices to help us try to weather a difficult time.

The hard savings of these actions:

Wage Freezes:

- **Executive Team 2009 wage give back:** \$53,094, or 4.26% of pay, on average.
 - **Individual cuts:**

Rich Riazzi	\$12,332
John Janney	\$7,692
Joe Jarvis	\$8,710
Carol Wardell	\$8,371
Wayne Wright	\$7,598
Randy Stedman	\$8,391
- **Executive team 2010:** Wage savings in 2010 by freezing salaries: \$49,862
- **Non-union wage freeze** until Aug 1, 2010 (normally they would get an increase on Feb. 1, 2010) \$570,000

Today's plan = \$672,959 in cuts

Total wage cuts for 2009 = about \$2.5 million

Including previously announced cuts, such as:

- **Union members wage reduction:** Savings from the bargaining unit's week of unpaid leave amounts to about \$552,584, which including wages, social security, Medicare, and a couple other items
- **Non-union employee wage reduction:** Savings from one-week unpaid leave amounts to \$583,090.
- **Continued restrictions in hiring policy into 2009,** including approved positions held open saves \$168,000. (Engineer, fleet services person, office services representative).