

**SPECIAL COMMITTEE MEETING  
PACE WATER SYSTEM  
October 12, 2010**

The Pace Water System Board of Directors met on the above date with the following members present: President Paul Hinson, George Hitchcock, Randy Grant, Sondra Thompson, and Theresa James. Ted Dotson, Damon Boutwell, and Attorney Angie Jones were also present. President Hinson called the meeting to order shortly after 6:00 p.m.

The purpose of the meeting was to provide information to the Board regarding the negotiations with the Union to arrive at a mutually agreeable contract. President Hinson called on Attorney Jones to present the information. Angie introduced Scott Kilpatrick, the Union representative. Angie noted that the agenda packets included a copy of the latest draft of the union contract. Angie said the document was the result of 6 to 8 meetings in negotiation over a period of approximately 6 to 8 months. Jones stated that the Board might have noticed that some things are still open for discussion. Angie gave a brief overview of the standard sections. In addressing payment of employees for each day they work even if they are laid off or fired, Hinson asked if that still applied when there was a suspicion of theft. Angie said that had not come up, and she would research the issue. Angie said she did not know if the employee handbook addressed it, but the two documents were to work together.

Jones stated that Article 6, Preservation of Work, sets out that the Water System would preserve for employees the work that they customarily have done. Angie said the Article required a little negotiation. Angie said there are certain elements that Pace had historically contracted out. Angie said Pace wants to be sure to have jobs for all its employees and work for them to do. Angie said the negotiators settled on the word "customarily," that Pace would do what it usually does, and if it usually contracts out work to another entity, it has the right to continue to do so. In response to a question posed by James, Damon said it typically refers to directional bores, etc. Dotson added that it would be things that Pace does not have the type of equipment for and big jobs that are beyond the capability of Pace's crews.

In addressing Article 7, Work Stoppages, Angie advised that the Union agreed that there would be no strikes or stoppages of work. Angie said that was pursuant to law relating to utility workers. Article 8, Angie said Pace had never discriminated against anyone and would commit to not doing so. Angie said Article 9 provides for a joint labor/management committee consisting of 2 representatives from the employer and 2 from the Union to work together and make recommendations on matters of mutual interest. Angie explained that there needs to be people from labor and management who talk on a somewhat regular basis to discuss issues that concern both parties. Hinson asked how those people are chosen. Angie said each group would select its own representatives. Kilpatrick said each group can choose them however they want to. Kilpatrick said this is kind of heading toward Pace's HR person that had been mentioned. Kilpatrick said this would help any issues that come up on either side. Kilpatrick said it

would be an avenue for discussion and would not carry any enforcement.

Angie said Article 10, Grievance Procedures, would be new for Pace. Angie said a grievance is a perceived or an actual contractual violation. Angie said, if the employer does something that the employee perceives to be a violation or breach of the contract, the employee could follow the grievance procedure. Angie said it begins with a fairly low-key procedure, and then proceeds through several steps and goes through binding arbitration. Angie said there are timeframes associated with each step. Angie said if an employee has a perceived contractual violation, he/she should let it be known quickly while the facts are still fresh, and management must act on it in a timely fashion as well. Damon said the only difference from Pace's grievance procedure are the time limits in each step, and step 2 has a union grievance committee included where it had been just employee, supervisor, management, and the Board. Hinson asked if the procedures apply to every employee who is eligible to be members of the Union, whether they are members or not. Angie responded in the affirmative, stating that the Union negotiates on behalf of the group. Kilpatrick said, in step 1, the employee takes his grievance to his/her immediate supervisor; in step 2, if it is not resolved with the immediate supervisor, it goes to the union grievance committee, and the union grievance committee looks at it to see if it is worth taking it any further. Kilpatrick said the grievance would then go to the general manager, and then to the Board; then if it is not resolved, it goes to arbitration.

In addressing Article 11, Seniority, Angie said to her knowledge, Pace had never had a lay-off and she hoped it never would have one, but in the event of a lay-off, this section governs that the most senior employees are the last to go. Angie said it took several tries at negotiation on this point, because PWS has grown in spurts and it could have employees who have days between them. Angie said it was determined that if employees are hired within a year of each other, they could be treated as equal. Angie said in negotiations, they recognized that the system could not operate without operators so they were treated a little differently regardless of seniority. Angie said the discussions included that the employees who were laid off should have an opportunity for rehire before the positions are filled with other job seekers. Angie said union stewards, who will be selected by the Union, also get special treatment in that they are the last to be laid off and the first to be rehired. Hinson asked if that was regardless of their seniority. Angie responded in the affirmative. Damon added that operators would be an exception. Angie agreed. Damon said the reason for that was that a well operator could go repair a main leak, but a repair technician could not legally operate a well. Angie noted that Section 3 indicated that no employee would be suspended, discharged, or disciplined without just cause. Angie said that section requires Pace to keep good records of disciplines, reprimands, etc., and sets forth that a disciplinary record more than 3 years old cannot be used against an employee in a disciplinary proceeding. Angie added that the section also requires that the employee is made aware of disciplinary proceedings. Hinson said he was not in agreement with the 3-year limitation on disciplinary proceedings. Hinson said some actions that bring an employee close to getting fired need to be eternal. Angie said there was a great deal of time spent by the negotiators on this section. Angie said the contract draft was the best that could be hammered out, but the Board has the final say-so. Angie said the negotiators spent some time discussing what

major and minor offenses were. Angie said she learned what a lock-out, tag-out was. James asked what that was. Angie said it was very serious. Damon said OSHA requires that the power supply for a pump that is being repaired be physically locked, somebody has to sign it and tag it out. Damon said that is to prevent someone from turning the power back on while the worker is in working on the pump. Damon said an employee would not be fired for not wearing safety glasses, but if someone is endangering someone else's life, it is a major infraction, not to mention a legal violation. Damon said that is something that no one wants to tolerate. Kilpatrick said they were looking at minor things that were adding up on an employee. Kilpatrick said employees who commit major infractions could be suspended, disciplined, or discharged for proper cause. Angie said a lot of time was spent talking about this. If an employee violates log-out, tag-out, he is probably gone. Angie asked, what if the employee was told just do not ever do it again, and it comes up three and a half years later. Angie said, if someone is late for work today and was late for work three and a half years ago, it probably should not count against him. Angie said this is something that could be discussed further. Thompson and Damon expressed concern about employees showing a pattern. Hitchcock asked if clocking in for another employee would be a major or minor offense? Angie said in the negotiations, they were not able to define major and minor because of questions like that. Kilpatrick pointed out that Pace would have the right to fire for just cause. Hitchcock asked if it would then come back to arbitration. Kilpatrick said it could end up in arbitration. Grant said it could go all the way down the list to arbitration, with filing costs and costs all the way down the line. Damon said the contract indicates that the loser pays the costs. Kilpatrick said the Union had kind of been of the opinion that each party should pay its own costs, but it was a debate either way. Kilpatrick said the Union tries not to go to arbitration. Hinson asked if any of the other Board members had a problem with the 3- year limitation. Thompson, Hitchcock, and Grant indicated they did. Grant said he was unhappy with the whole package. James said she was slightly uneasy about the limit. Hitchcock asked what the parties were trying to accomplish at this meeting to finalize the agreement. Angie said it would be nice to finish it, but she had not considered that a realistic goal. Kilpatrick said the Board had the option to accept it, but does not have to. Damon said if the Board makes suggestions to change this section, the Union representatives will take it back to its group, and they will agree to it, or come back for further negotiations. Kilpatrick said the two parties had pretty much come to agreement on everything except the medical issue. Jones said yes, but Pace had always indicated that it was the Pace Board that decides. Thompson said her concern about the 3 year limitation is that she was opposed to anything that would hamstring the Board. Damon noted that Thompson and Hinson both mentioned the pattern aspect of it. Damon asked if it would work to add that nothing would be counted over 3 years unless it is a repeat type of offense. Hinson, James, and Thompson responded in the affirmative. After further discussion, Angie said the negotiators would work on the 3-year limitation issue. Kilpatrick noted that the Board expressed concern for patterns or parallel offenses.

Angie explained that Article 12, Representation, allows the Union to come to the premises, but it cannot disrupt work. Angie said the Union will appoint stewards, whose duties will be to oversee that the contract is fulfilled. Hinson asked how many stewards there would be, and was told two. Angie said the union stewards are typically given

some time during the workday, as needed, to handle Union business. Angie said the negotiators went back and forth over whether it was an hour a week, or whatever, and settled on the idea that it might be 100 hours a year. Thompson said it is one thing to do union business, but it is another thing to expect Pace to pay people for doing the union business during work hours. Thompson said she considered that to be intrusive into the work day, and 100 hours seemed to be quite a lot. Grant said it would only be 2 hours a week. Hinson said the stewards have to get approval from their supervisor, which makes it more palatable. James asked what union business that would be. Kilpatrick said it could be handling an issue on the job that was headed towards a grievance. Kilpatrick said a steward doing the right thing could stop a grievance. Kilpatrick added that a steward might go somewhere for training. Kilpatrick said the negotiators started at 200 or 300 hours, and ended up at 100. Kilpatrick said the issue is in most of their union contracts, and 100 hours was a pretty low number. Discussion continued. Boutwell and Jones advised that the stewards would be prohibited by the contract from soliciting members to join the Union. Angie added that Pace would be required to notify new hires of the existence of the Union. Thompson expressed concern that the stewards might use overtime for union business. Angie said she thought that was a valid point, about the idea of union time knocking employees into overtime. Kilpatrick said that would not happen. Angie asked if it could be written into the contract. Kilpatrick responded in the affirmative, stating that if Pace needs it to say 100 hours regular pay, that would be no problem.

Article 13 sets out that Pace would comply with OSHA laws, and the employees will comply with any safety regulations that Pace or the law has in place. Angie noted that Section 4 sets out that Pace will reimburse employees for prescription eyewear broken while at work. Section 4 requires that a safety committee be established, consisting of 2 employees appointed by Pace and 2 appointed by the Union. James asked if it could be combined with the Pace's weekly safety meeting. Angie said she thought it was contemplated as a separate committee. Discussion ensued. Kilpatrick said it was closely related to the labor/management committee, it is to discuss issues specifically on safety.

Angie went over Article 14. Angie said the negotiators wrangled over the requirement in Section 2 that indicated current employees shall not be moved into another job classification that would restrict their ability for promotions in the future. Angie said she hoped never to see a layoff, but should a layoff occur, and a great employee could be moved to another position rather than having to be laid off, could management do that? Angie said this provision would seem to prevent that. Hinson added that an employee might want to voluntarily move to another position. Damon said this would prohibit an employee from choosing to go to another position instead of being laid off. Kilpatrick said the Union did not want the employee's ability for promotion restricted. Damon said water meter readers will not be necessary in the future because everything will be done electronically, so instead of laying them off, management may want to put them somewhere else. Kilpatrick said the Union's intention was to keep the door open for the future. Discussion continued. Hinson suggested adding the phrase, "without the written permission or acceptance of the employee."

Angie read Section 3, indicating that a cost of living increase of 5% would be given to employees on January 1, 2011, a cost of living increase based on the CPI would be granted in January 2012 and January 2013, not to go negative and not to exceed 5%. Grant asked if the reason it was 3 years was because that was the length of the contract. Angie responded in the affirmative. Thompson said this section was her biggest concern. Thompson said there is a complete freeze on a cost of living increase for Social Security. Thompson said a 5% increase this year was a lot. Hitchcock said he disagreed with the 5% increase. Hitchcock said the cost of living increase should be based on the CPI. Hitchcock noted that Pace would soon be doing budget meetings. Hinson questioned whether Pace should grant a raise before it knows if the budget can afford it. Grant asked if there would be merit increases, and was told no. Grant said he thought Pace could grant the 5% increase. Kilpatrick said he thought the employees went a couple of years without a raise in their paycheck, and they want to catch up. Kilpatrick said there was a lot of negotiation involved, and they ended up at these numbers. Kilpatrick said in looking at the budget, the wages had gone down, which may have been due to cutting back on hours. Hitchcock said he was in favor of all increases being given according to the CPI. Hitchcock said the customers would object to a 5% increase. Grant noted that the contract would be renegotiated in 3 years. Grant said the teachers received 5% a year until recently. Angie suggested readdressing this issue when it considers the medical issue.

Angie said, with the exception of medical insurance, there was nothing else in the contract that would be strange or unusual. Dotson corrected a reference in subsection (a) to employee eligibility for medical being 6 months; Dotson said it is really 90 days. Angie noted that retirement, life insurance, hours of work, overtime, emergency, holiday, sick leave, vacation, and bereavement leave were unchanged from Pace's handbook. Angie said allowing the employees to vote in a general election had never been denied, although it might not be addressed in the handbook. Damon said the section on bereavement leave had an error, it had been pulled from the old handbook. Damon said part of it had been changed in the Landrum report, so he thought it had been combined. Damon said it had indicated that it was up to 3 days for a family member, but did not distinguish different types of family members. Dotson recommended keeping it as it is set out in the union contract. Kilpatrick stated that it was pretty specific as to which family members would apply. In addressing the subsection on Educational Reimbursement, Thompson asked if the employees are required to sign a contract that they will work for Pace for a certain amount of time. Angie said she thought the idea was that a better educated employee was a better employee. Damon said the only difference with the union contract is that it specifies that it would be a work-related degree. Angie said it was important to the Union that union dues be payroll deducted and remitted through Pace's bookkeeping department. Angie continued through the document. Angie noted that the contract is a 3 year contract and automatically renews every year thereafter unless either party, in a timely fashion, notifies the other that it wants to discuss, amend, or negotiate a particular item. Hitchcock asked what if the employees decide they do not want the Union anymore. Angie said there are ways to decertify a Union. Hitchcock asked if it should be included in the contract. Kilpatrick and Angie responded that it is set out by federal law. Grant asked what the union dues would be per month. Kilpatrick

responded 2% of their paychecks. In response to questioning, Kilpatrick said there could be increases in union dues, but it is currently 2%. Hinson asked if the Union has a right to renegotiate the salary increase for the second and subsequent years as opposed to following the CPI. Kilpatrick said the Union would have a right to open negotiations, but if there is no agreement, it is governed by the contract. Angie said even though negotiations can be opened, when there is an impasse, the contract controls.

Angie returned to the medical insurance provisions in Section 5 on page 8. Damon referred to language in the contract that the medical coverage would be provided at no cost. Damon said Pace currently does that, but this section locks it into the contract. Damon said it says that family coverage can be negotiated, and if an agreement cannot be reached, it can be set by the Board. Hinson said this was talking about premiums, but he did not see the HSA addressed. Damon said the HSA is not addressed. Hinson asked how one could be considered without the other. Damon responded that they are not going to exist as far as the plans themselves. Hinson said they would exist next year. Thompson noted that the provision indicated that the employees selecting family coverage would pay no more than they currently pay except as noted below. Thompson said regardless of how high it goes, Pace would be required to keep it the same. Damon said the union language says the family coverage, should an agreement not be reached by the December Board meeting, may be set by the Board. Damon said that is exactly what Pace has now; the only thing different is that the employee should receive individual medical coverage at no cost. Hitchcock asked what the cost was to Pace for employee coverage. Damon said he thought it was approximately \$3400 or \$3500. Damon said the employee needs to pay the full difference between employee and family before the employee has to pay a dime for his own individual coverage. Damon said that is fair, and he could say that because he had family coverage. Dotson said the family coverage could run \$10,000 to \$12,000 a year. Damon and Ted said it was currently close to \$12,000 for family. Thompson said she had a problem with the provision that indicated to her that the employee would pay no more than they are currently paying. Damon said the provision says that the Board can set the amount paid for family coverage. Kilpatrick referred to subsection (b). Angie said the two subsections appeared to be in conflict, and may not be well written. Angie suggested that the parties should decide what they want and then work on getting the language right. Angie said subsection (b) was almost a useless sentence because anything in the contract can be renegotiated. Grant said the employees would not get a 5% raise because 2% would go to the union dues. Kilpatrick said if it was all up to the existing Board, everyone would probably be comfortable with letting the Board set everything, but in two years, the Board would change. Kilpatrick said the employees were looking for a little stability. Grant said the medical should be at the Board's discretion because it is sometimes just not affordable. Kilpatrick said the Board has that ability in the contract under subsection (b). Grant said he did not like the language that employees selecting family coverage shall pay no more than they currently pay. Kilpatrick said the words are added, "except as noted below." Kilpatrick said the Board could decide to change it. Angie said that might have been what was intended, but that is not what it says. Angie said she was in favor of plain language. Thompson asked if the sentence could be stricken. Dotson said they asked to bring it to the Board because they would not change anything on it. Kilpatrick said the Union did change a lot on

medical insurance because their first proposal did not include the words, “except as noted below.” Kilpatrick said they just wanted the insurance to stay where it was. Kilpatrick said management did not want to be bound by any part of it. Hitchcock asked if he had indicated that the Union might have a good insurance policy that Pace could adopt. Kilpatrick said he had indicated that the Union had its own policy, but it is not available right now. Angie said Pace employees are not the Union’s employees, and the Union is self-insured. Kilpatrick said the Union was trying to find a way to offer it, but was not able to at this time.

Thompson referred to subsection (c), and stated that she did not want it to be an issue that employees were signing up for coverage and did not have a clue as to what they would have. Thompson said she was told that there was no availability of the quote information until October. Angie said she had independently verified with Susan Godwin, Pace’s insurance agent, that it would not be available any earlier than 45 days out. Thompson said saying September in the contract would not work. Angie said there might be other insurance related issues a committee could talk about. Kilpatrick said the committee could meet prior to going to the insurance company for the quote to discuss which companies they were going to contact. Thompson said she definitely wanted the employees to have a part in that. Kilpatrick said everyone on both sides agreed on subsection (c). Dotson agreed. Angie said there are some things that the committee could do prior to having the quotes from the companies. Thompson said she would like to see the employees have some hands-on involvement to see exactly what is available. Dotson said management agreed to do that. Dotson said management’s concern was that with the insurance up in the air and no one knowing what it might come out to, it could not commit to a family policy. Hinson added that it is going to be a taxable benefit. Angie said there may a number associated with the taxation; i.e., that if the cost is a certain amount it would be taxable, but less than that, it would not be. Angie said there are a lot of considerations. Damon said it would be more out-of-pocket costs but it would be less than what is taxed on. Thompson expressed concern about the percentage of increase on Section 3. Thompson said she had a hard time with 5% if the CPI is 2% or 1.5%. Thompson said she would feel more comfortable with increases according to the CPI and not trying to catch up for past years. Dotson said October’s CPI would not be available until November 15<sup>th</sup>. Dotson pointed out that the Board would be having meetings on the budget. Kilpatrick said the raises were set to go in place January 1<sup>st</sup>. Kilpatrick said if the increases are gauged by September or October CPI, the employees would take a beating. Kilpatrick said it should be gauged by the end of the year. Kilpatrick says it usually goes up considerably by January. Damon said he thought CPI was accumulative of the fiscal year. Discussion continued. Hinson said there was a finite amount of money, some for raises, some for insurance premiums, and some for HSA. Hinson said that could be juggled any way, but it is all a certain pot of money that benefits the employees. Hinson said the finite amount money has to be figured out before the Board starts spending it. Kilpatrick stated that he heard the auditor’s report in March, and although the budget was supposedly tight, at the end of the year, it came out with a profit of \$400,000. Kilpatrick said some of the monthly reports indicate improvement. Thompson said the budget was only like \$69,000; and the increase came into effect because of money that was in other places. Grant said the Board raised the rates.

Kilpatrick said the auditor indicated that the wages were down. Dotson said a lot of cuts were made to try to make it, and Pace had to maintain a certain amount for bond coverage.

Angie summarized that there was agreement on several sections in the contract that could be improved by just changing the language. Angie said there were two sticky points, Section 3 and Section 5, Raises and Medical Insurance, that the Board may want to discuss and entertain a motion on at a regular meeting.

Meeting adjourned.

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President

ATTEST:

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Secretary

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**November 2, 2010  
PWS0101210SP.MIN**

**Mr. Ted Dotson  
General Manager  
Pace Water System**

**RE: Minutes for Special Committee Meeting of October 12, 2010**

<b>11/02/10</b>	<b>Professional Services - Minutes</b>	<b>\$150.00</b>
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**Thank you.**

**Janice**