

LETTER OF UNDERSTANDING

INTERNATIONAL BROTHERHOOD of ELECTRICAL WORKERS, Local #47
and the
CITY OF ANAHEIM

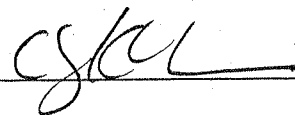
The International Brotherhood of Electrical Workers, Local 47 (IBEW) and the City of Anaheim (ANAHEIM) have met and conferred, and reached agreement pursuant to Article 63.2 of the Memorandum of Understanding between the parties dated July 28, 2005 through January 8, 2009. These changes to Post-Retirement Medical benefits are part of a comprehensive agreement negotiated between the parties that include increasing employee CalPERS retirement benefits from the "2%@55" formula to the "2.7%@55" formula (Government Code §21354.5), and by reporting statutorily required PERS employee contribution paid by ANAHEIM to CalPERS as compensation earned in accordance with Government Code §20636(c)(4). This Letter of Understanding sets forth the specific understanding of the parties relating to the establishment of an IBEW Retiree Medical Trust Fund.

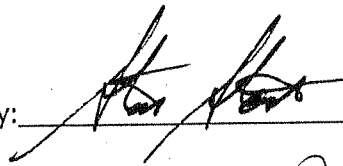
1. IBEW shall establish a trust (Trust) to be effective not later than October 1, 2005 ("Transfer Date"), for the sole and exclusive purpose of providing post-retirement medical benefits to IBEW bargaining unit employees employed by ANAHEIM on October 1, 2005 ("IBEW Employees"), and their eligible surviving spouses and dependents.
2. Upon declaration of a Trust acceptable to Anaheim and execution of a concurrent Memorandum of Understanding establishing the respective rights and obligations of the IBEW, the Trust, and ANAHEIM, ANAHEIM shall pay into the Trust those post-retirement medical reserve allocations, including a proportionate share of the IBEW Special Reserve, which ANAHEIM has allocated to eligible active employees of the IBEW bargaining unit.
3. The Trust shall be solely responsible to provide payments toward post retirement medical benefits for all eligible IBEW Employees. Benefit levels and eligibility for coverage shall be determined by the Trustees.
4. In the event that the Trust desires to discharge its obligation to provide retiree medical benefits to IBEW Employees by purchasing such medical coverage from medical benefit plans contracted for by the ANAHEIM, the Trust shall remit to ANAHEIM monthly, in advance, the full amount required to fund benefits through such plans contracted for by ANAHEIM. In the event such payments are not delivered within five (5) working days of the due date, ANAHEIM may withhold its negotiated contribution to the Trust, until such time the monthly payment is paid in full. If the Trust utilizes plans contracted for by ANAHEIM to discharge its obligation to provide retiree health coverage to IBEW Employees, ANAHEIM's participation in making such benefits available to the Trust shall be as an independent contractor to the Trust and shall in no way obligate ANAHEIM to provide any benefit, funding or financial support for any obligation of the Trust or the IBEW to provide medical benefits to IBEW Employees, or to undertake or assume any responsibility whatsoever for any other obligation assumed by the Trust and the IBEW through acceptance of the reserve allocations and the execution of this Agreement.
5. The Trust shall inform ANAHEIM in writing of the benefit and eligibility schedules it may adopt and any subsequent changes thereto. The agreement of Anaheim with such schedules shall not be implied from such notification.


6. Effective upon the Transfer Date, Anaheim shall remit to the Trust for each employee in the IBEW bargaining unit such sums as agreed to in the Memorandum of Understanding between the parties dated July 28, 2005 through January 8, 2009, and any successor agreements.
7. In addition to the contribution by Anaheim set forth above, IBEW and Anaheim agree that the sum of four percent (4%) of base biweekly pay shall be withheld from each employee in the IBEW bargaining unit commencing on the transfer date which shall be remitted, as soon as practicable, to the Trust. Such remittance shall be on a biweekly basis.
8. The transfer of reserves set forth in Section 2 and the payments and withholding established in Sections 8 and 9, and as provided by Article 63.6 of the Memorandum of Understanding, shall be the sole contributions to the Trust or participants in the Trust by Anaheim, regardless of any increases in medical care costs or the diminution or failure of benefits to be provided by the Trust, unless otherwise agreed by the parties through the collective bargaining process.
9. Anaheim shall have the right to periodically perform audits of the Trust at Anaheim's expense, at reasonable times and places and upon reasonable notice. The Trustees and the IBEW will cooperate with any reasonable audit request which may be undertaken solely at Anaheim's discretion, with or without cause, by auditors designated solely by Anaheim. Any such audit shall be conducted according to auditing standards and practices prevailing among audits of employee benefit trusts, and shall encompass, but not be limited to, all income, expenses, benefit payments, administrative costs, earnings, fees and charges paid or received by the Trust. Anaheim shall promptly inform the Trustees of the result of the audit, and deliver to the Trustees a copy of any audit report, prepared for Anaheim. Nothing in this section shall relieve the Trustees of any obligation, requirement or practice to conduct their own audits of the Trust as required by the Trust documents or by law.
10. In the event the Trust desires to discharge its obligation to provide retiree medical benefits to IBEW Employees by purchasing such medical coverage from medical benefit plans contracted for by the ANAHEIM, ANAHEIM shall provide the Trust access to City of Anaheim sponsored medical plans at the same rate structures provided for all other active and retired employees of ANAHEIM.

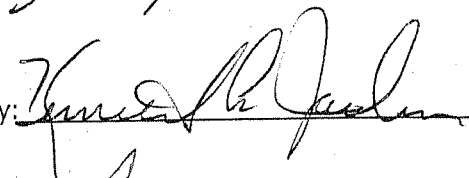
**STAFF OFFICIALS of the CITY OF ANAHEIM,
a Municipal Corporation**


**INTERNATIONAL BROTHERHOOD of
ELECTRICAL WORKERS, Local 47**

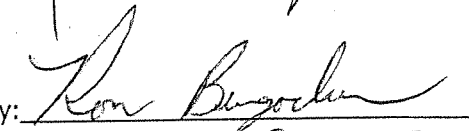
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