

June 28, 2011

Yolanda Cruz  
President  
Municipal Employees' Federation, AFSCME Local 101  
c/o Library Department  
150 E. San Fernando Street  
San Jose, CA 95112

LaVerne Washington  
President  
Confidential Employees' Organization, AFSCME Local 101  
c/o City Attorney's Office  
200 East Santa Clara Street  
San Jose, CA 95113

**RE: Retirement Reform and Proposed Ballot Measure**

Dear Yolanda and LaVerne:

We are in receipt of the letter dated June 23, 2011, sent by Beeson, Tayer & Bodine on your behalf regarding the City's letters of June 22, 2011. To clarify, the City is not refusing to bargain over ground rules or any other mandatory subject of bargaining. It should be noted that the initial discussions over reaching an agreement on the framework included five other bargaining units in a coalition setting, which is a non-mandatory subject. While the City's letter did indicate that we had not reached an agreement on the framework, the City is very willing to meet with MEF and CEO to continue negotiations in an attempt to do so.

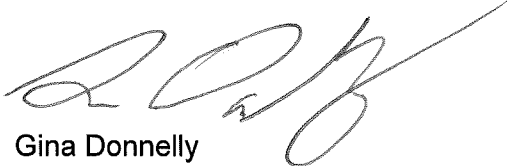
As we have previously indicated, the City Council direction included working with the bargaining units on establishing an orderly, productive and timely process for negotiating over retirement reform issues, as well as related ballot measures. Meaningful retirement reform is needed to address the dramatic impact of the costs of retirement benefits to the City's ability to provide vital services to the community.

The City is interested in completing retirement reform and related ballot measure negotiations concurrently; however, a key component is a mutual agreement to complete the negotiations by October 31, 2011. This proposed concurrent bargaining over retirement reform and related ballot measures is a unique concept being explored by the City. It is important to note that even if the parties are unable to reach an agreement on a proposed framework for these concurrent negotiations, the City will continue to negotiate with MEF and CEO over any substantive issues and any retirement

related ballot measures separately. The City Council expressly reserves the right to propose charter amendments in the form of ballot measures at the conclusion of any meet and confer obligations.

The City is available to meet with MEF and CEO on Wednesday, July 6, 2011, 10:00 AM - 12:00 PM, to continue negotiations over the proposed framework for the concurrent retirement reform and related ballot measure negotiations. Please confirm MEF and CEO's availability or provide an alternate meeting date.

Sincerely,

A handwritten signature in black ink, appearing to read "Gina Donnelly", written in a cursive style.

Gina Donnelly  
Deputy Director of Employee Relations

c: Charles Allen, Business Agent, AFSCME