

October 22, 2009

Personally Delivered

Mr. Nick Steinmeier
Internal Organizing Director
SEIU Local 521
San Carlos, CA

Re: Conclusion of Impasse Procedure Discussion; Notice of City's Intent to Impose Terms at City Council Meeting of October 26, 2009

Dear Nick:

This letter is to confirm that the City and the Union met on October 22, 2009 pursuant to Merit Rule 1208 in order to discuss impasse procedures. The Union and City have met and completed their discussion of impasse procedures and there are no additional issues for the parties to discuss concerning impasse procedures.

This letter is also to inform you that City intends to impose terms from its last, best and final offer upon the Union at the City Council meeting on October 26, 2009. The City's reasons for imposing terms of the City's last, best and final offer include, but are not limited to the following:

1. The City and the Union have been negotiating for the past five months. The City and Union have been unable to reach a negotiated settlement despite serious bargaining and a significant reduction in savings sought by the City.

2. The City has significant budget problems that can best be solved only with a substantial contribution from SEIU represented employees.

3. The Union has been unwilling to provide adequate structural change in compensation to help address short and long term budget challenges.

4. Each week's delay reduces the time available to generate needed savings. The City's budget situation continues to deteriorate. Consequently the City must implement its offer to help reduce the City's deficit and help remedy the long term structural problems that exist in the budget.

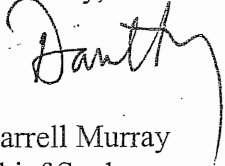
The City intends to ask the City Council to impose only terms that are found in the City's Last, Best and Final Offer. The documents the City Council will consider for implementation of the last, best and final offer will be available on the City Clerk's page of the City's website by Friday, October 23, 2009.

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City Council Meeting of October 26, 2009

Sincerely,

A handwritten signature in black ink, appearing to read "Darrell Murray". The signature is written in a cursive style with a large, sweeping initial "D".

Darrell Murray
Chief Spokesperson

cc: James Keene
Russ Carlsen
Lalo Perez
Gary M. Baum
Melissa Tronquet
Sandra Blanch