

SENT VIA EMAIL

March 11, 2015

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RE: Measure B Settlement Discussions

I appreciate the recent letters, and the presentations made by counsel during public comment at the March 10, 2015 City Council meeting, clarifying your position on the *quo warranto* process. By this letter, I seek to reiterate the City's position with regard to negotiations over Measure B, and to lend clarity where accounts have varied from the City's written position, in the hope of finding common ground to begin the settlement discussions.

First, the Mayor and the Council are committed to resolving outstanding issues relating to pensions, disability, and other elements of Measure B this year, as part of a "global settlement" in 2015. Second, we are willing to make any and all reasonable efforts to reach and implement a settlement this year. Third, we are prepared to negotiate now, and have been ready to negotiate since we issued our proposed negotiating framework on February 11, 2015.

Finally, we continue to believe that all issues should be on the table for negotiations, although we have concerns with the *quo warranto* approach. As directed in Councilmember Rocha's March 6, 2015 Memorandum, the Council is willing to pursue settlement of Measure B litigation through a *quo warranto* process in 2015, contingent on the Council's satisfaction that the following conditions have been met before the *quo warranto* process begins:

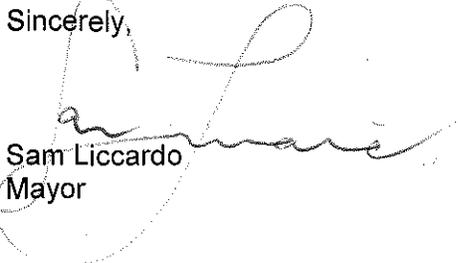
- Agreement on an alternative strategy to implement pension reform and replace Measure B. Such agreement must achieve all reform objectives that the Council deems necessary to the public interest, including improved city services, and the sustainability of our retirement plans.
- The *quo warranto* strategy is legally viable and can be carried out on a timeline that would allow the Council sufficient time to pursue a 2016 ballot measure should a *quo warranto* strategy fail.
- All bargaining units have agreed to pursue the *quo warranto* strategy.
- The Council is satisfied that the *quo warranto* strategy does not impair the public interest.

If an overall agreement is reached that contains a *quo warranto* strategy and that process is not successful for all City employees, the City Council and the unions would agree that the terms of the same agreement should be pursued through a 2016 ballot measure, if necessary. As you can see from the proposed five-year budget projections released last week, this city will need some combination of additional savings, service efficiencies, and new revenues if we are going to restore services to a level that our employees want to provide, and our residents deserve.

There is only one path to restoring services: beginning settlement discussions. We are pleased that the bargaining units are prepared to come to the bargaining table. We look forward to sitting down with you to begin discussions over a global settlement.

The City's negotiating team will be in touch regarding scheduling a meeting.

Sincerely,



Sam Liccardo
Mayor

cc: City Council
Norberto Dueñas, Interim City Manager
Jennifer Schembri, Interim Director of Employee Relations