

**LETTER OF UNDERSTANDING BETWEEN
THE CITY OF MODESTO
AND
MODESTO PROFESSIONAL FIREFIGHTERS, IAFF LOCAL 1289**

Regarding Contract Extension

The City of Modesto, hereby referred to as "City," and the Modesto Professional Firefighters, IAFF Local 1289, hereby referred to as "Union" execute this Letter of Understanding ("LOU") on this 11th day of June, 2009 regarding the extension of the existing Memorandum of Understanding ("MOU") by and between the City and the Union which is in effect until December 20, 2010.

The City and Union agree:

1. Except as modified herein, all terms of the MOU shall be extended from December 20, 2010 to December 19, 2011.
2. Notwithstanding any provision to the contrary in the MOU, the City shall provide for wage increases as follows:
 - a. There shall be no base salary increase effective June 23, 2009.
 - b. There shall be no base salary increase effective December 22, 2009.
 - c. Effective June 22, 2010, the salary ranges provided by the MOU shall be adjusted upward an additional three percent (3.0%) as provided in Exhibit C of the MOU.
 - d. Effective December 20, 2010, there shall be a salary increase adjusted upward of an additional three percent (3.0%).

- e. Effective June 20, 2011, there shall be an additional increase of two and one-half percent (2.5%).
3. The fiscal year 2009-2010 budget reductions plan dated June 3, 2009 is attached hereto as Exhibit A and incorporated herein as part of this LOU. Any savings incurred in fiscal year 2010 above \$2,750,054 shall be applied solely and exclusively to reducing the number of shifts for which Engine Company 21 may be browned out. In any event, Engine 21 may only be "browned out" from service for a maximum of one hundred shifts during fiscal year 2010.
 4. Effective January 1, 2011 the City's allowance for health care coverage shall be increased in an amount equal to a percentage of the premium increase for the lowest price HMO Plan up to a maximum of eight percent (8.0%) or one hundred and thirty-six dollars (\$136.00).
 5. Effective July 1, 2009, the City shall contribute twenty-five dollars (\$25.00) per month per employee into the employee Health Savings Account ("HSA Plan"). Effective July 1, 2010 the City shall contribute an additional twenty-five dollars (\$25.00) per month per employee for a total of fifty dollars (\$50.00) per month per employee into the HSA Plan. The City's contribution per employee per month to the HSA shall cease and terminate effective with the expiration date of this Agreement. The parties expressly agree and

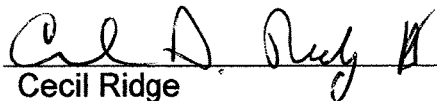
acknowledge that any contributions by the City to the HSA Plan are defined contributions within the meaning of the Internal Revenue Code and by said contributions the City incurs no actuarially accrued liability within the meaning of the General Accounting Standards Board Rule 45.

6. The Union and the City shall form a labor-management committee to meet and confer to resolve the following issues:
 - a. Implementation of the 48/96 work schedule on a trial basis.
 - b. Modification of uniform guidelines, consistent with and compliant with provisions under the National Fire Protection Agency with respect to uniform pants and shorts.
 - c. Modification to the bid system permitting unlimited bids.
 - d. Any and all further purely "non-economic" items as the parties may mutually agree to discuss.

7. The City and the Union shall meet to review, monitor and discuss the financial condition of the City on a regular basis, but no less than quarterly.

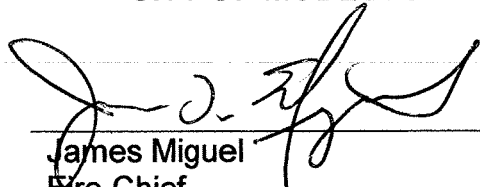
This Letter of Understanding shall become effective upon ratification by the affected membership of the Union and by the Modesto City Council.

MODESTO CITY FIREFIGHTERS
IAFF LOCAL 1289

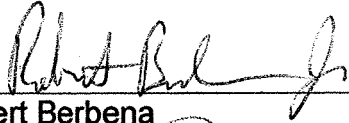


Cecil Ridge
President

CITY OF MODESTO



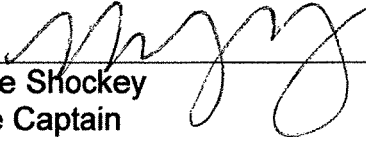
James Miguel
Fire Chief



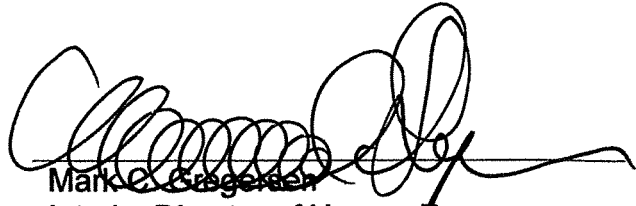
Robert Berbena
Fire Captain



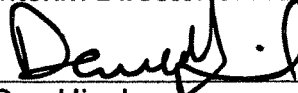
Jason Fritz
Fire Engineer



Mike Shockey
Fire Captain



Mark C. Gregersen
Interim Director of Human Resources



Dan Hinshaw
Fire Battalion Chief