

The following transcript is provided for your convenience, but does not represent the official record of this meeting. The transcript is provided by the firm that provides closed captioning services to the City. Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

City of San José city council meeting. Dart mouth, Dartmouth, Sam Neipp, Dartmouth Dartmouth, dart mouth dart Dartmouth, capital improvement program action team for its leadership role in making City's decade of investment a success. Presentation of a proclamation declaring the month of October 2009 crime prevention month in the City of San José. Presentation of a proclamation invocator, invocation.

>> Mayor Reed: Good afternoon. I'll call the San José city council meeting to order for August 27th. I'm sorry. October 27th, 2009. We will start with the invocation and Vice Mayor Chirco will introduce the invocator.

>> Councilmember Chirco: Thank you. This is pretty exciting because we have one of the District 9 middle school, well, part of their band is here. Please join me in welcoming the Dartmouth middle school brass sextet, under the direction of Sam -- I'm sorry, there I go with the Lehi school -- Sam Neipp. The Dartmouth Middle School band program both with a membership of 257 students. In the concert band there are 91 students that perform in free concerts, do an elementary school tour, and perform at Disneyland every year. The concert band also marches in both the Los Gatos holiday parade and the San José holiday parade. For the San José parade, Dartmouth has placed first for middle school bands for the past three years, as the defending champions. And we look forward to hearing them in this year's Christmas parade. Dartmouth middle school last year received the rare and prestigious honor of being named a school the watch by the national forum to accelerate middle grade reform. Their band director, Sam Neipp, was a student at Dartmouth and returned as a teacher a few years ago. Today, the brass sextet will be performing an original composition by the band director, brass chorale. I want to thank the Dartmouth middle school brass sextet band for being with us today and also to thank the principal, Carol Carlson, one of the principals extraordinaire, for being with us today. [Horns playing] [applause]

>> Mayor Reed: We'll now do the pledge of allegiance. And joining us in the pledge of allegiance are third graders from San José Christian school. Welcome. Please all stand. [pledge of allegiance]

>> Mayor Reed: I want to thank our invocators for the nice performance. Give them the chance to get off the floor before we get moving too fast here. First item of business, orders of the day. I have a couple of changes from the printed agenda. Item 3.3, report of Public Safety, finance and strategic support committee for October 15th need to be deferred for one week. Item 3.7, report of public safety, finance and strategic support committee special meeting of October 14th to be deferred one week. And we will adjourn today's meeting in memory of San José police officer Desmond Casey and Councilmember Constant has some comments.

>> Councilmember Constant: Thank you, mayor. Sunday, October 25th marked the ten year anniversary of the death of officer Desmond Casey. I had the honor of meeting Desmond 20 years ago, when he and I entered the police academy at the same time to become San José police officers. Desmond was our pilot for our air 1 helicopter. Desmond had been fascinating with flight his entire life. He had always dreamed of becoming a pilot. In fact once he became a pilot, he earned his private pilot's license, excuse me, and also, a long list of related licenses and ratings. Most pilots earn one or two ratings in their lifetime. But friends and fellow pilots, they were amazed that Desmond, he collected ratings as others would collect coins or baseball cards or other things. He just had a passion and wanted to do everything related with flying. He began his flying career as a warrant officer in the U.S. army, where he was flying Hughie helicopterrers. As I mentioned he was hired by the police department on April 3rd, 1989 when he and I along with about 37 other young recruits joined the police department. About two years later, Desmond took a leave from the police department, without pay, because he really wanted to -- he had the goal of becoming the police department helicopter pilot. So he is joined the army reserves and trained to become a full fledged army pilot. After completing his military training he came back to the police department and eventually earned a spot in our air support unit in 1995. And he flew air 1 daily until his death. In fact, he came in on his day off, to supervise maintenance work on our helicopter, something that he did pretty regularly. The helicopter had experienced a malfunction, while he was flying, and began spinning erratically. It took quite a bit of work for officer Casey to manage the helicopter that was crippled and bring it down into the middle of highway -- Alameda, just north of highway 880, in an area that was devoid of any cars, people, buildings, at a highly congested time of the day, 3:30 in the afternoon. We consider Desmond a hero for being able to take control of that craft that was virtually uncontrollable, and land it in a way that caused no civilian deaths, only he and the mechanic that were in the helicopter at that time. Desmond also served with the 129th rescue wing in the California air national guard out of Moffitt field. Des monde worked in marine world. He was an expert in both water and snow skiing. Desmond was on the force for about ten years and was the tenth San Jose police officer killed in the line of duty. The radio helicopter call sign Air 1 has been retired in the honor of Desmond, and our helicopter now flies

under the signal of Air 2. The department's new helicopter also has a registration number that is unique. It is 408 DC. 408 stands for the San José area code, which was Desmond's idea, and DC so that Desmond Casey will never be forgotten and will continue to fly the skies of San Jose. So I just want to thank you, Mayor, for letting us adjourn this meeting in Desmond's honor.

>> Mayor Reed: Thank you, Councilmember Constant, for those words. Any other changes under orders of the day? Motion to approve orders of the day, all in favor, opposed, none opposed, those are approved. Closed session report, city attorney.

>> City Attorney Doyle: Mayor, the council met in closed session this morning pursuant to notice. There's no report.

>> Mayor Reed: We'll now take up the ceremonial items. I'd like to invite Vice Mayor Chirco and Councilmember Kalra to join me at the podium. Today we're recognizing October as breast cancer awareness month in the City of San José. Councilmember Kalra has a few words to add and we're going to make a special presentation to our Vice Mayor.

>> Councilmember Kalra: Thank you, mayor. You know, this month is breast cancer awareness month. And I want to welcome Page McKinnon here from the American Cancer Society. As many know, breast cancer is one of the most commonly diagnosed cancers affecting women in the United States. It's responsible for 40,000 deaths each year. However, we do know that awareness limits breast cancer related deaths. Early detection, screening and treatment, in addition to educating women about lifestyle changes which may lower their risk for the disease. Today, 89% of women diagnosed with breast cancer are able to survive the disease, and early detection through screening increases survival rate to 98% when cancer is detected early. Before presenting the proclamation, to Page from the American cancer society, I would ask Vice Mayor Chirco to say a few words.

>> Councilmember Chirco: I think Councilmember Kalra gave the data. And I can speak to the heart. There are so many people that walk among us, that suffer from this challenge of the disease. There are committed groups, such as the American cancer society. And various organizations that are looking for the cure. But what so many of us are looking for is the living. And I am living testimony to the love, the prayers, the support, the compassion that lifts you up, when you are down. Carries you through the rough places. And allows you to celebrate with joy when you are able to. And I speak from the heart. And as I have gone through all of the treatments, I speak for all of the cancer patients, that each of us know and each of us pray for, and thank, all the organizations, and all the people. To make a difference daily in every one of our lives. Thank you. [applause]

>> I just wanted to thank the City of San José so very much for this proclamation. And for all that the city does to raise awareness and funds for the fight against breast cancer. The Vice Mayor just said some very wonderful words, and I hope that each of you will go back to the women in your lives and continue to remind those that are over the age of 40 to get their yearly mammogram and for those that are able to donate to organizations such as the American cancer society so that we can assure that every woman will have the ability to get well, stay well, and find cures and fight back. The American cancer society is the official sponsor of birthdays. And we would like to invite you all out this Saturday, to our making strides against breast cancer walk, for the completely free 5K walk. Come join us to celebrate survivorship and those in our lives that have been affected by this disease. So thank you very much. [applause]

>> Councilmember Kalra: I'm going to ask the Vice Mayor to stay here for a moment. This is something from the mayor and the entire council, to recognize you. And I'll read it. I think it's worth reading. The award of recognition presented to Vice Mayor Judy Chirco, in recognition of your strength courage and resolve in your battle against breast cancer, from your colleagues on the city council. And I think we all know that we're kind of like a family. Sometimes we bicker, sometimes we laugh. But through it all, at least in my experience, you're a constant inspiration and a symbol of courage at least to me. I'll ask the mayor to make a presentation to you on behalf of the city council. Thank you. [applause]

>> Councilmember Chirco: I can't think of anything that speaks more eloquently of the love, the prayers and the kindness that I have been surrounded by. From the depth of my heart to the depth of each of your hearts. Thank you. [applause]

>> Mayor Reed: Next I'd like to invite our City Manager, Deb Figone, Ed Shikada, chief deputy City Manager, and the CIP action team members to join me at the podium. The city's now nearing the completion of its decade of investment with more than \$2 billion being invested in our Public Safety facilities, community centers, libraries, parks, transportation infrastructure, aviation services and utility infrastructure since July of 2000. Nearly every neighborhood in the city has seen improvements in its community facilities in the form of infrastructure improvement projects. Today we're going to recognize

some of our current and ex city staff members who have played a critical role in the success of this decade of investment and the City Manager will have a few more words. But I want to say how much I appreciate the fact that the vast majority of these budgets were made on time, and on budget, project after project after project. It's these people that made it possible. It's easy for us as councilmembers to just say do it, and somehow you make it work. I know it's not magic but it is a great deal of talent and commitment to make it come out the way it did. Thank you very much and from that, I'm going to turn it over to either -- looks like Ed Shikada.

>> Ed Shikada: Thank you, Mr. Mayor, members of city council. Actually, there's one partner I'd like to invite down as well. Katy Allen, director of Public Works. It's fitting that there's no better partnership that had been embodied by the city organization than City Manager's and Public Works in really establishing and making the CIP action team a reality. For those who haven't experienced it, the CIP action team was established in March of '02, and really kicked off the decade of investment, and our capital improvement program really provided some organizational focus and resolve, clearly resolve, as well as serving as a clearinghouse for addressing policy issues, and advancing a number of initiatives, and providing a one-stop portal between the city organization and the community and the city council, in terms of the delivery of the exam program. So with all of that, our budget and our economic situation has caused us to sunset the team more abruptly than any of us really wanted to. But that said, really in keeping with the nimbleness that the CIP team clearly showed every day, the team has effected a transition to a decentralized delivery model, again, led by public works department in working with departments and again, the community at large, in order to make the capital improvement program continue, with the success that it has had. So with that let me ask Ashwini Kantak, our leader on the CIP team, to come forward and accept on behalf of staff.

>> Thank you, Ed. I'd like to thank the mayor, council, and City Manager's office on behalf of all of our team members and I'd also like to take this opportunity to thank literally the hundreds of city staff across multiple departments who contributed to the success of the city CIP. As part of the CIP team I think each one of us had unique and great opportunities to work with stakeholders and staff collaboratively, to jointly deliver capital projects that were high quality and that will serve our community for many, many years to come. So thank you again for recognition for the job that I think we all greatly enjoyed doing. I'm going to hand it over to Terry Roberts who is kind of a key player in the formation of the original team. So Terry, if you want to come up, thank you.

>> Thank you, I appreciate that, Mr. Mayor, members of the council, members of the audience, Terry Roberts, former deputy City Manager. Thank you for the opportunity to speak for a moment today. I was involved in helping to establish this team in March of 2002, right? I was thinking it was maybe late 2001. But the team when we first established this team, we stepped back a few years, we had hundreds of projects, billions of dollars in funds, mostly voter approved bond measures that need to get out the door, and into the community. And we needed an organization that could deliver. And this was the first step towards that organization, is developing a team that would have some oversight on the program, make sure that all the challenges were met, make sure that we had a schedule and a budget and a program to get every one of those projects over the goal line. And this team stepped up to the plate and, over the years, has really done an exceptional job in facilitating that to happen. And I remember, Mr. Mayor, I think I probably told this story before. But I remember in late 2001, we probably had around 800 projects sort of queued up, and needed to be pushed on down the tube. But there were eight small tot-lot projects that everyone was worried about, whether they were going to get out the door or not, were we organized, could we push them out. And definitely, those got out the door, and now sort of the tally is, a thousand projects later, this team, and other people in the organization, have really performed to beyond expectation. So I just wanted a chance to thank all of the team personally and professionally for their hard work over these years. And also, you know, this team is the face of the capital improvement program, or has been. But there are hundreds of other people in this organization that have really stepped up, and implemented these capital programs in every department. And so we don't want to forget to acknowledge them at this point. I think that as a full team, including the mayor and the council and their staff, it took everybody to get these many projects out the door and over the goal line. So thank you, CIP action team. And I really appreciate your great work over the years. Thank you very much. [applause]

>> Mayor Reed: And we do have commendations for everybody. Not right at this minute.

>>> Next I'd like to invite Councilmember Kalra, Paul Krutko, our chief development officer, and Jan Marini, owner of Jan Marini skin research, down to the podium, as we recognize a woman-owned business that's been helping drive the San Jose economy forward. Jan Marini skin research employs over

60 people, continues to fuel San José's economy through its revolutionary products and community philanthropy efforts. We can get the whole team down here. And then Councilmember Kalra has a few more words to say, because it's in his council district in which this business is located.

>> Councilmember Kalra: Thank you, mayor. Jan Marini skin research, and I actually had the pleasure to visit and take a tour of the facility. I want to thank Jan and the rest of the staff for allowing me that pleasure. It's a fantastic company, as the mayor says it employs dozens of people here in San José, in the Edenvale area of our research park. It's a great company, high end cosmetics to physicians and dermatologists and so on. And so unfortunately, it is not something that's commercially produced, but it's because of the level and the quality of the products that they're making, and I think that I was really impressed by the operation they had. I was very impressed by the sales team. By the warehouse employees, and they're really busting at the seams there, which is a good sign for us, because it is the sign of a company that is succeeding. But really what I'm most impressed by, and I think it is the hallmark of most -- or many successful companies we've seen here in Silicon Valley. Many of them have succeeded because of the drive and the innovation and creativity of a single person. I really want to thank Jan Marini for her vision and her hard work and her diligence in creating something that now has grown dramatically. And I look forward to -- it's been in the same place now for 15 years. I look forward to it being in San José for many, many years to come. So Jan, I want to thank you for everything that you've done for the City of San José. I would ask the mayor to present you the commendation at this time. [applause]

>> It really is an honor to be part of the San José community. And I am so appreciative and grateful for this recognition. But I've got to say, that the recognition really goes to the individuals at Jan Marini skin research for their ingenuity, their perseverance and their dedication. Thank you so much, thank you.

>> Mayor Reed: And those of you who were paying attention, that was not Paul Krutko. This is Nancy Kline.

>> Thank you, mayor.

>> Mayor Reed: Thank you, Nancy. I'd like to invite Councilmember Constant, our Chief of Police, Rob Davis, Lieutenant Francis Avillas and Sergeant Al Young to join us the podium. Today we're recognizing October 2009 as crime prevention month in the City of San José.

>> Councilmember Constant: Thank you, mayor. As everyone knows, an ounce of prevention is worth a pound of cure. And the San José police department has a crime prevention unit that spends a lot of time in the community working with people of all ages throughout all areas of the city, all demographics, to make sure that we're out there preventing crime before it starts. Make sure that we're intervening with kids who are tempted by gangs, make sure we're educating people both in school and through neighborhood watch programs and things of that nature. It's a very critical unit of our police department. Throughout the nation, we -- excuse me -- we recognize October as national crime prevention month. And this is observed by government agencies, civic groups, schools, businesses and youth organizations, and it provides us an opportunity to really bring awareness to the work that our crime prevention units does alongside all the other crime prevention units across the nation and the impact they have in the community. We know especially in times like today where our economy is stalled, that crime goes up. And it's the work of the crime prevention unit that really helps us keep a lid on these things. The effective crime prevention programs excel because of the partnerships that they create between law enforcement and government agencies with civics groups, schools, students, neighborhood associations, and individual residents. We at the City of San José want to make sure that people know that we are committed to crime prevention, but we know that crime prevention works in our city, and that we're committed to maintaining our crime prevention programs. So we have the proclamation, that the mayor will present to the chief and the lieutenant and sergeant. [applause]

>> Councilmember Constant: You don't want to say anything? Okay.

>> Rob Davis: Well, thank you very much, mayor, councilmember, and council. If you don't mind, I'll have these people stand up, they're the ones that make it work. [applause]

>> Rob Davis: Thank you, mayor and councilmember.

>> Mayor Reed: Now I'd like to invite councilmembers Herrera and Pyle to join me at the podium, along with Rod Diridon, Lauren Harper, and some other representatives of various rotary clubs in San José that are here today. And I can see several representatives from other clubs. So come on down, all the Rotarians, come on down. Today we're declaring October 24th, 2009 as world polio day in the City of San José. And the work of the Rotarians have done in eradicating polio is tremendous, truly world-

changing. We have a few Rotarians on the city council as well, I myself am a Rotarian. And others as well. Councilmember Herrera is going to add some more to this.

>> Councilmember Herrera: Thank you, mayor and at this time I would like to introduce and thank the representatives from rotary clubs throughout San José. We have Lauren Harper, rotary district 5170, governor. We also have Rod Diridon. Rod is a former Board of Supervisors, as most of you know, currently president of the San José rotary and he also happens to be a board member of the California high speed rail authority and in previous life he was sort of my boss. Ramesh Hari Haran who is also with San José downtown rotary, and we also have Ken Tavanier, Almaden rotary, along with Andy Hassler and Roger Hassler, who are also here. And next, Nick Leon and Ruth Ashford from San José East Evergreen rotary, and Nick used to be one of my high school teachers. Jaime Angulo from San José North rotary, Qua Vu, from San José Sunrise rotary, Terry Rote from San José Willow Glen rotary, and Art Taylor from San José north. And today, all together, we are recognizing October 24th as world polio day. The Almaden valley, sunrise, San José east, Evergreen, San José rotary and Willow Glen rotary have joined rotary international to promote world polio day. This is to educate, the citizens of San José of eradicating polio worldwide. We have asked these individuals to join us today because they have done so much to raise awareness of polio. Hard work that the association does. There are 32,000 rotary clubs located in more than 200 countries around the world and geographical areas that initiate service projects to address today's challenges, including illiteracy, disease, hunger, poverty, lack of clean water, and environmental concerns. Rotary's members are business, professional and community leaders, who provide humanitarian service, encourage high ethical standards, and help build good will and peace in the world. End polio now day is a positive initiative to create awareness and educate the citizens of San José about the vital importance to eradicate polio worldwide. And polio brings 135 years to this initiative. Polio is a potentially fatal, infectious disease, even though we do not know this in the United States, ill still affects children in the Middle East. World failing to capitalize on its \$5 billion global investment in eradication. Polio eradication has been Rotary's top priority since 1985 when it launched its ambitious polio program to immunize the world's children against polio. Rotary's grass roots leadership and initial funding for a vaccine provide a catalyst for the World Health Assembly's resolution in 1988 to eradicate polio worldwide. Spearheading partners of the global polio eradication initiative are the world health organization, rotary international, U.S. centers for disease control and prevention, and UNICEF. Rotarians across the world are raising \$200 million to match the \$350 million in grants that the Bill and Melinda Gates Foundation has awarded to Rotary International to directly support immunization campaigns in developing countries. Polio eradication has been rotary's top priority since 1985 with more than \$1.2 billion contributed to the effort. And I want to add one more thing that Nick Leon wanted me to mention. And that's the young folks in Rotary, the interact clubs. The interacters in this area have agreed to raise \$100,000 to contribute to area in 2010. So I think that's incredible. I would like Mayor Reed to present the proclamation to governor Lauren Harper, and Lauren, did you want to say a few words?

>> Thank you very much, mayor, thank you, councilmembers for this recognition. I assure you that row tearans did not expect this, nor do we need it to continue our efforts in wiping out polio. It exists in four different countries in the world and with the help of other organizations, we will have it wiped out in those countries very, very soon. I should just point out that our interactors, our high school version of rotary, has stepped forward and challenged all of the Rotarians in the district, to match them in the funds that they accumulate. Our interactors last year raised \$80,000 for high grade projects, internationally. So \$100,000 this year is just a small step forward for them. And I'm sure that they will accomplish their genomes on Friday I had the pleasure of accepting a proclamation from the United Nations in San Francisco for the same thing. And they have of course been very helpful to us, as well as have other organizations in raising funds, including the Bill Gates and Melinda Gates foundation, in which they are contributing \$355 million towards this project! We hope to have this completed as soon as possible, because if we don't kill this disease, it will come back, and we will not let that happen. Thank you very much. [applause]

>> Mayor Reed: All right, I think we have commendations for each of the clubs, we'll get that sorted out, I think we do, including a couple of clubs that aren't represented today. Thank you, Rotarians, we appreciate it. [applause]

>> Mayor Reed: We'll now take up our consent calendar. Are there any items on the consent calendar councilmembers would like to pull for discussion? The motion is to approve the consent calendar. Are there any requests from the public to discuss items on the consent calendar? I see you've got some cards stacked up there. Nick, no consent calendar? Okay. Motion is to approve the consent calendar. All in favor, opposed, none opposed, that's approved. Item 3.1, report of the City Manager.

>> City Manager Figone: Thank you, Mr. Mayor, members of the city council. I did want to alert the city council that the economic environment continues to have real impacts on the city. Development activity continues to be at an all-time low. And at current rates, the cost of operations in this area is exceeding revenues at the rate of about \$130,000 per week. Fads as the city council is aware the adopted budget included a plan to further reduce airport operations effective January 1st. In response to both of these situations the city began this morning notifying a number of employees that a number of their positions will be eliminated. These recommendations will be coming to the city council on November 17th. In all, 43 positions are slated to be eliminated and a total of 85 employees will be impacted due to the bumping process and we do expect that approximately 30 may be subject to layoff. As stated, the employees who are impacted are being notified as we speak. We have notified labor leaders of impacts within their bargaining units and we will be sharing this information with all employees through the citywide e-mail. And that concludes my report.

>> Mayor Reed: Item 3.2 is report of Rules and Open Government Committee for October 7th, 2009. We have a motion to approve. All in favor, opposed, none opposed, that's approved. Item 3.4, settlement of licking enterprises, regarding 1157 East Taylor street. We have a motion to approve, all in favor, opposed, none opposed, that's approved.

>>> Item 3.5, annual summary of upcoming labor negotiations. We'll take a moment for the staff to get in place.

>> City Manager Figone: Okay, thank you, Mr. Mayor, members of the council, I will open up this presentation and then you turn it over to Alex Gurza our director of employee relations. This is the third year that we have prepared an annual summary of labor negotiations. As was recommended by the Sunshine Reform Task Force and approved by the city council. The purpose today is to provide the public with an opportunity to have information related to negotiations, in advance of the commencement of labor negotiations, and to allow the public to provide city council with input.

>>> In your packet you have a memo dated October 13th, which is the base memo, and then we did issue a supplemental memo dated October 23rd, to respond to questions that we have been receiving since the release of the first memo. Needless to say, the City of San José is facing another extremely challenging year as we prepare for 2010-11. We are exploring all of our options to minimize adverse impacts to city services and to our employees. Today's presentation is intended to present a factual perspective on the challenges that we all face in eliminating the city's General Fund structural deficit and let me say the General Fund is typically our focus but as you just heard regarding development services and our airport many of our special funds are experiencing great difficulties due to this economic recession. Providing this information publicly has served to remind us that we're not alone in facing these very difficult issues. Public agencies large and small are facing similar challenges, and very difficult choices. For example, the city manager of Manteca read our memo and wrote an article entitled "déjà vu all over again," to highlight the similarities between the issues that faced our cities. Manteca City Manager Steve Pinkerton wrote, "As I've noted before, we aren't alone. This isn't just a Manteca issue, a valley issue, or even a California issue. The problem is worldwide, and it isn't going away until we make fundamental changes in the way we do business." Similarly, as I informed the City Council in an information memo last week, my city manager colleagues in Santa Clara County and San Mateo County have been working on our collective concerns over rising pension costs and have issued a policy statement on retirement benefits that has been endorsed by the elected officials who represent all of our cities on the Santa Clara County Cities Association and the Peninsula Division of the League of California cities. However, the fact that we're not alone will not solve San José's problems. The information set forth in the memos before you and then this presentation detailed the issue of the cost of delivering services, and openings to reduce personnel costs. There are difficult issues as I've said to confront. Our employees are critical to our ability to provide quality services to our residents, our businesses and our visitors, in the City of San José. And so our goal is to try to find a way to keep as many of our employees as possible so that they may continue to provide excellent services to our community. On the next slide in front of you, I want to point out how diverse our workforce and our services really are. We are truly a very significant conglomerate. You wouldn't find any conglomerate like ours in the private sector. This can be depicted by the fact that we have approximately 618 job classifications from unbenefited temporary seasonal part time employees to management and executive positions. Many city employees receive benefits, but some part time employees do not. 96% of these employees are represented by 11 different bargaining units. Thus the issues set forth here really cannot be resolved through a one size fits all process or set of solutions. The city is entering into its ninth year of a General Fund deficit. Again, the General Fund is our

focus, but we need to keep all funds in mind. Currently this shortfall for 2010-11 is estimated to be \$91.5 million. But it could be higher depending on the indications in our current economic environment that we use to develop our forecast. Our preliminary General Fund forecast is due out soon, thus the number is very likely to change. Approximately two-thirds of the General Fund is in personnel cost and we are a service organization and it is our employees who provide those critical services. The choices that the council will be facing are difficult, and we do, very simply, summarize them in three categories, which I view as very interdependent and very interrelated. Because today we are focused on labor negotiations, our emphasis will be on reducing per-employee costs but it's also very important to note that there are other options, service reductions and eliminations which ultimately affects jobs as well as increase our revenue sources. We are hopeful that we can add to the City's revenues, and we must continue to work together to gain the public support for new revenues. However, I believe, at least at this time, that for 2010 and 11, we really cannot anticipate significant new revenues to deal with that fiscal year. And we'll talk more about this at your special meeting on November 5th. In terms of the bargaining process that is out in front of us over this next year, let me just highlight a little bit about this significant part of this discussion today which is labor relations. We have 11 bargaining units and they do represent the diversity of those job classifications and the work that we do that I mentioned earlier. Again these bargaining units represent 96% of the City's workforce and we do look forward to continuing to partner with our bargaining units and our labor organizations as we continue to confront these difficult decisions and situations together. I also want to iterate that the information that we're presenting here today, as I mentioned in the memo, is not intended to place blame on our labor unions or on our wonderful workforce. It is the situation that we face that we need to talk about, and it is together that I believe that we will only be able to confront these challenges. Again, our employees are critical to our ability to provide quality services to our community. The city charter specifies that the City Manager is the chief administrative officer of the city and as such, the city's employer-employee resolution designates responsibility to the City Manager and this is a very significant responsibility that I take very, very seriously. The city's negotiating team is not an independent group. They do negotiate on behalf of the city, pursuant to the city Manager in closing I want to reiterate that these are trying times for labor and management and our entire workforce. It will take our collective commitment to work through the issues in a way that ensures that our city stays on sound fiscal ground. Earlier dialogue, understanding of the problem and of the issues and of our collective commitment to problem-solving will be the only way that we will ultimately be able to serve the public that we are here to serve. And with that I'll turn it over to Alex.

>> Alex Gurza: Good afternoon, mayor and members of the city council, Alex Gurza, director of employee relation. Here with me at the staff table are Jennifer, Mark Danaj, HR director. Will be here to answer any questions at the end of the presentation. In our memo wasn't through the framework by which we operate under labor relations. Labor relations is governed by state law which is the Meyers Milius Brown act. Also pursuant to our city charter, labor negotiations so all of those are briefly summarized in our council memo. One thing that we'd like to highlight, am as the City Manager indicated we face daunting challenges in the five. But we've had accomplishments in working together with our bargaining units that are important to highlight. I would say of tremendous significance is that we work together with our bargaining units on the issue of retiree health care which was at one time estimated to be as high as \$1.44 billion liability . Ten of our bargaining units are now ramp up to prefunding the employee health care. We are starting to pay off that liability. Last year we had most all of our bargaining units agree to the true zeros which are no wage increase and no what are called step increases. And significantly, three of our bargaining units, CAMP, MEF and CEO had contracts already in place, with a general wage increase and they reopened those contracts agreeing to a true zero, which definitely helped balance our budget in this current fiscal year. In addition our building inspector union which is AB MEI are currently taking a 10% pay reduction through working less hours. In addition, we've tried to manage the escalating health care costs by increasing the share that employees pay to a 90-10 split where the city pays 90 and the employees pay 10. Also implementing co-pays to our health insurance, all steps that are important to try to manage the increasing health care costs. We've also been implementing a wellness program to really start to focus on that area in the hope that it will also be a component in addressing our increasing costs. As the City Manager indicated we're a service organization. So that means we have employees that provide those services, and our total compensation cost, we mean all employees, citywide, pay and benefits is almost \$800 million in this current fiscal year. What this slide shows you is just the components of total compensation. So you can see the base payroll comprises 73% of the total which makes sense because the primary component of compensation is pay. Salary for employees or hourly pay for those

employees. Another significant component of that is the City's contributions into our retirement plans. And can you see that that's \$137.5 million for this current fiscal year into our two pension plans which makes up and then all other benefits, is a small amount as you can see from the total 1.7%. In our memo we had several graphs to show the total cost. And this is one of the graphs. The sort of pink line in the middle is the if you look at all city employees. You go back to 2000 where the average compensation budgeted cost was approximately 74,000. To the current fiscal year that we're in now at 120,000. The blue and the yellow lines separate out, the sworn versus nonsworn, so the top blue line means, sworn police officers and firefighters, and their costs. And then the yellow line is all other city employees. So looking forward now, we have quite an aggressive schedule as to the number of negotiations that will be coming up. At the top is our firefighter union, their contract expired on June 30th, we have participated in mediation, unfortunately have not reached agreement so so we are moving towards binding enforced arbitration which is in our charter. The next one coming up is the building inspectors contract, expiring in December and as you can see, all of the ones that expire between now and June 30th of 2010. That's nine of 11 of our bargaining units. There are only two bargaining units that have contracts that cover the next fiscal year, and that is MEF and CEO are two AFSCME bargain units. So what are some of the options? In the - our memo to the council, these are the ones that we identified. This is by no means an exhaustive list, there are many other ways to try to save personnel costs and once we start bargaining, obviously the bargaining understand may have ideas and these are just some of those, I don't intend to go over them one by one unless of course the council has some questions about them. But the focus here is developing ongoing as the slide says cost saving options. What may help us solve the structural budget deficit, as opposed to things that may help us one time, it's been our focus to try to identify ongoing cost saving options. Now, as the City Manager mentioned at the beginning in terms of the framework and the alternatives, clearly how much is going to be saved in any one of the categories whether it's revenues, whether it's saving in personnel cost or unfortunately, reductions services is gets to be decided 91.5 million General Fund deficit, what are the book ends if you saved all on personnel costs or all on position reductions. So this number was in the council memo which said that if you were to solve the entire General Fund deficit of \$91.5 million, through service reductions, which means position eliminations, it would require 763 positions to be eliminated from the workforce. Which as you can see is almost 12% of the current city workforce. On the other hand, if you were to solve the entire \$91.5 million deficit, through reducing the per-employee cost of compensation, if we were to reduce the total compensation by 15.5%, then that would also solve the budget deficit without requiring the loss of one city job or one position. Clearly we're not recommending either one of those but those essentially are book ends, so you can see one book end on one side and on the other. Clearly to the extent that the city has additional revenues or fees then obviously that would be factored into what -- into the remaining part of the deficit. And again, to provide now the council with some sense of how much might it save if it were to reduce our total compensation cost by varying percentages. So you can see at the top if we were to reduce our total compensation cost on an ongoing basis by 5% it would save \$40 million in all funds. Almost 30 million of that being in the General Fund. 10% is obviously double that so it would save \$80 million in all funds and almost 60 million in the General Fund. And the 15% is very close to the 15.5 you saw before, which it would save \$120 million in all funds and 88 which is almost the entire current status of the General Fund deficit. Now, as we're trying to reduce our personnel costs we're also facing escalating retirement costs. This -- these are numbers that are in our memo. But it shows that from 2000, 2001, 2009 and 10, we increased 118% overall in our budgeted contributions to our pension plans. It went from \$63 million contributed to our pension plans in 2000, to almost 137, almost 138 million in the current fiscal year. But unfortunately we are facing even more significant increases in our pension contribution rates. And the reason for that is primarily this: The City's retirement plans do actuarial evaluations every two years. So these are the two years, in these two fiscal years, '08-09 and '09-10 since the last evaluations. What we see there is the plans have declined in total net assets by approximately \$1.1 billion. That will result in increased city contribution rates. Primarily it's all falls on the city side, because on the per pension benefits the unfunded liability that is created by these kinds of declines in benefits are currently 100% paid by the city. So far, we've only received estimates from the police and fire retirement board, about what kind of contribution rates may lead from this kind of loss. In our federated retirement system, the board has not yesterday approved any kind of estimates about that. What's important to note about the estimates that we're going to discuss in a second is, they are truly only estimates. It's not until our two retirement boards receive the full actuarial evaluations from their actuaries, and the two boards adopt those reports and set the contribution rates, that we will know for

certain what the contribution rates will be in 2010-11 and beyond. But the early indications are a significant concern. This is police and fire and this is from a report provided by Segal, the police and fire retirement board's actuary, from July of this year. They had provided two estimates, one in March and one in July. This is the more updated one from July. And what you can see here is that the, in 2010-11, the contribution rate is anticipated to rise to 33.7%, from 22.5. A very significant increase. What's important to note about this is, this is only pension. This does not include either city or employee contributions for retiree health care. But also, as we look at pension costs, as being long term, if you look what happens to that blue line, it continues to escalate until 2013, when the city's contribution rate for the police and fire pension benefit only is anticipated to be 46% of payroll.

If you add onto that the anticipated 10% of payroll for retiree health care, it is then approximately a 56% of payroll contribution rate for police and fire. Now, let me point out the bottom line. You see the bottom line of that says employee contribution. And as you can see during these years, according to the Segal report, the contribution rate for employees stays constant at 8.3% during all those years. Again, very important to point out why that happens. First, it does -- again I can't stress enough -- it does not include retiree health care. So for example for the Police Officers Association and the people they represent, who did agree to start funding retiree health care, their retiree health care will be incrementally increasing during this period of time. But on the pension side the reason that stays the same is what I mentioned the prior slide, it's the city that is 100% responsible currently for the unfunded liability. Now, if other changes occur, the board makes other assumptions, the employee's contribution rates may change. But based on the Segal report, what they call the baseline projection, that's what we see here. And again as the City Manager indicated in her opening comments, we're not alone in terms of the escalating cost of pension correction. The PERS impact of each individual agencies is going to vary on demographic assumptions, et cetera. But these give us some indication of where the costs are headed in the next few years. Now, what can we do about those? The current pension funding arrangement is split into two components. One is called the normal cost, that is essentially the cost for every year of service that the employee works and that is split on a ratio of 8 to 3. For every \$3 the employee puts in, the city puts in 8. The other major component of the funding is the pain of the unfunded actuarial liability, which I mentioned is currently 100% city-paid. We have limited options in trying to deal with these escalating costs. One option is to modify the pension funding arrangement. Meaning who pays what and who's responsible. These options would be subject to meet-and-confer, no question. In terms of normal cost, however in addition to meet-and-confer it would require change in city charter because the ratio of city contribution is set forth in the charter. However the unfunded liability is not in the charter but is in the municipal code. The fact that the city is 100% responsible. So that could be modified and that is one option. The other is modifying the benefits. But even that is limited, and because the city has been advised that our pension benefits and our retiree health care benefits are vested, therefore it limits the modifications that can be made. So that is why you're seeing many places look at second tiers. Possible for to change the benefit for current employees and very recent news is that yesterday evening the city council of Palo Alto voted on a package of benefits with SEIU which is their largest union also affecting their management employees where they will be the first that we're aware of in Santa Clara County to put in a second tier for retirement benefits. Based on the information we received from the City of Palo Alto, the new employees hired after January 1st of 2010 will be in the PERS formula, rather than being able to retire at a full benefit at 55 for example, the 2% won't be in place until you're actually 60. Delays the full benefit until 60 years old as opposed to earlier. So Mark's going to talk a little bit about our hiring and projected retirement benefits for the next two years.

>> Thanks, Alex. The purpose of this slide is to help illustrate the potential impact of a second tier. And to do that we think it's informative to take a brief look backward as well as forward for the City's history. The first slide is a reflection of our recent history, and specifically, that in the last five years, the city has hired approximately 1,700 employees eligible for retirement benefits. We think this is particularly important because as we all know these are the last five years that also have been plagued by budget deficits, difficult decisions and position reductions. But it goes to show that even after we're forced to down side our organization we still have key vacancies on that adopted budget that require us to act on it. The approximately 1700 employees is roughly 29% of our workforce. So another way of looking at it is if the city had had a second-tier benefit structure in place five years ago we would already have approximately 29% of our existing workforce under it. The second bullet is a forward-look, obviously and similar to many of the figures we've been sharing with you before with regard to our workforce planning efforts and essentially that is that in the next five years we have 31% of our employees eligible for retirement, and

that will jump as high as 50% over the next five to ten years. So in summary, while it's true that a second tier of benefits does not necessarily have an immediate impact at least relative to other options it is equally true that it does not necessarily true to take a decade to start realizing meaningful impacts of a second tier. Sorry. Turn this on.

>> Alex Gurza: This is the slide we showed you earlier this is the schedule of negotiations with our bargaining units as we said before. You have a special council meeting on November 5th. Keeping us updated on budget developments as they occur and we're going to begin negotiations with bargaining units over the next seven months. With that we're open for questions. There are a number of charts and graphs that we did not include in this presentation. We have them available if you have questions.

>> Mayor Reed: Thank you for the presentation. I have some requests from the public to speak. I'd like to take that now. I'll call a few names, come on down when your name is called to be close to the microphone. Ross Signorino, Pat Saucedo, and Ester Rickenbacher.

>> Ross Signorino: Mr. Chair, members of the council. I hope we can hear the school bells ringing right now, because this is lesson time. Classes are ready to start. And that is, that we have learned a lot and we will continue to learn a lot because the future is in front of us. And then some of the presentation that the staff people presented saying that we have limited options. We do not have limited options. We have options. The options is this: The future upcoming labor negotiation is our future. This is what we have to watch out for, and not put ourselves back in the same situation that we are in right now. Used to be a time when I was a kid, years ago, you'd hear people working for the city, or some employment with the city, and state and so on, and it was low-paying jobs. But the tradeoff was this: You had security. Now, we have reversed everything. Not only do you have security, you have high-paying jobs. Which of course, none of us, you, I or anyone, begrudges the people that work for the city because they do a good job. Without a doubt, and these people here are making an honest presentation. They're not snowballing this thing. This is the way it is. You're going to have to think about it. Now, the upcoming negotiation have to be done with the future in mind that we can get away from this. Right now, you have no choice to get away from this. We're going to have to pay this bill. It's coming due and we have to pay for it. So I ask you, future labor negotiations, let's get it right. The future's coming and we must look to the future. Thank you.

>> Mayor Reed: Pat Saucedo, Ester Rickenbacher, and Nancy Ostrowsky.

>> Mayor, and council, Pat Saucedo, San Jose Silicon Valley Chamber of commerce. The business community the chamber of commerce believes that the role and the goal of these negotiations has to be to find a way to reduce the cost of providing services to the residents, the businesses and the taxpayers of San José. And that needs to be entered into in a good faith manner by all bargaining units, by the city management team and by the city council. First off, we highly recommend the recommendations by the City Manager, as far as the guiding principles, and recommend that those be adopted. Additionally, we do have a couple of specific items we would like to have included and acknowledged by the council that they will be welcomed at the table and negotiation. Second tier pension and benefit plan are the two-tier system you've heard about. Conversion to define contribution benefit programs, for that to be reduced and explored retirement age retirement factor and pension formulation actions, pension benefit automatic step increases, give us time to regain our financial stability redundant compensation and sick leave cashouts you just a few. We have seen and read many more that we feel need to be on the table and discussed by all parties. And lastly I would like to raise on behalf of the chamber, at these extraordinary times, do we need to open these bargaining discussions to the public? We are all going to be hurt by the discussions of the budget and the fiscal realities of the world. I think you need to ask yourselves, are how we get to the end conclusion, whatever those effects may be on yourselves, the city family members or the public at large. Thank you very much.

>> Mayor Reed: Esther Rickenbacher, Nancy Ostrowsky, Jerry Mungai.

>> I'm Esther Rickenbacher, I'm a citizen of San José, I'm here to ask all negotiation open to the public. We need to know what's going on, we need to see it, we need to have our input and that's my message. So I would really like to see it open to the public. Thank you.

>> Mayor Reed: Nancy Ostrowsky, Jerry Mungai, Linda didis.

>> Good afternoon, Mr. Mayor, councilmembers, City Manager, my name is Nancy Ostrowsky. I am with IFPTE's Local 21, I'm senior staff, and I represent the association of engineers and architects, known as AEA in the City of San José. It is our union's goal to engage in discussion, and negotiations, on the problems facing the city in a way that helps develop constructive solutions for the community, city employees, and the city as an institution. We do open our bargaining in a few short months. Last year, we

did give the true zero. In fact we came to the city before our contract expired to offer it individually on our own. In order to come up with innovative and creative solutions we need to all participate and not come to the table with preconceived ideas about what should happen. We are your stakeholders in the City of San José. We care and are vested to working together. Please treat us as a partner in the development of the solutions. Thank you.

>> Mayor Reed: Jerry Mungai, Linda didis, Dennis Martin.

>> Thank you. Wanted to put this to all within context here. That if you -- you can find us by going on google that the union employees of our country, 40% of the public employees belong to unions, and that percentage is rising. And the private sector is 15% and that percentage is declining principally because of world competition. Meanwhile, according to the bureau of labor statistics, wages per hour worked public sector, 51% greater than that over the private sector and benefits are 73% higher than the private sector. We mentioned Ms. Figone mentioned that this is the ninth year that we're having the structural problem and those were during the good times, and that's because we have a cost structure that is very difficult to address. And why is that? Well, when we have 90-plus percent of the workforce belong to unions, and they represent a significant contributor to our leaders' campaigns for reelection, both financially and volunteer work, it becomes a real challenge for our leaders to grasp this problem to deal with it. And I appreciate all that you've done and the recommendations you've had Ms. Figone, that's really great. But what you're doing in my opinion is trying to deal with a Rolls-Royce plan and reduce it to a Cadillac plan when we can only afford a Chevy plan. Councilmember Constant said an ounce of prevention is worth a pound of cure. With that in mind, I'll note going on Camden avenue between route 85 and Almaden expressway, one evening recently, I counted more than 50 street lights that were out. And if we had lights, perhaps that could help on public safety side. Couple of recommendations I think you should wait longer for some --

>> Mayor Reed: Time is up. If you get those recommendations in writing and send them to us we'd like to see them. Linda didis, Dennis Martin, Daniel Fenn.

>> Good afternoon, mayor and councilmembers, my name is Linda didis, I'm the business agent for AFSME, which represents two bargaining units, MEF and CEO, in the city. Although MEF and CEO do not have labor negotiation set up for next year, we do want to partner with the city to try to resolve the problems that are facing us. We believe the best solutions are developed when all the stakeholders have a seat at the table and are trusted as partners. To that end we'll engage on problems facing the city if it is truly an open dialogue which considers all potential solutions to all of our budget problems, including revenue strategies. Thank you.

>> Mayor Reed: Dennis Martin, Daniel Fenn, Gay Gayle.

>> I'm speaking on behalf of Naop Silicon Valley, a significant voice in the area community. The primary reduce the cost of city governmental through the reduction of employee compensation, pension, benefits and workers comp. All negotiating bargain groups, city administration and policy decision makers need to be focused on keeping any and all options on the table to reach this goal. Considering though that the economic downturn and the toll that layoffs reduced income lost benefits and closures have taken on families and businesses throughout the city, it is unconscionable to hear proposals for increases in taxes, fees or other revenue enhancements receive serious consideration. To save city jobs we must do it by reducing the cost of city jobs not increasing the burdens on city residents. Likewise, any attempt to tap into reserves by budgeting procedures or any other methods should be rejected. It is smart and prudent to keep reserves fiscal emergency. Now according to the Mercury News employee benefits and wages have increased 64% in the last ten years, while the cost of living has only increased 18%. This problem needs to be addressed before it bankrupts the city and now it is the time to do it. finally, open negotiations to the public and let the sunshine in. Conduct the public's business in the public.

>> Mayor Reed: Daniel Fenn, Gay Gayle.

>> It's become quite obvious that yet again this round of negotiations, the budget deficit will be balanced on the back of the workers. It's as it was last year. And has been for the past few years. All we ask is that you follow the MMBA, Meyers Milius Brown Act and meet and confer in good faith with us. We don't feel that the last time '03 that we negotiated with the city that we were dealt with in a fair manner. The city declared impasse when we still felt that there was room to negotiate. Then a mediator was called in, the mediator came, one day, and was sent away, and this body implemented terms and conditions. If you can keep your team at the table, a little longer, and try to discuss some of these items in a more reasonable way, I think that you would get more cooperation from the bargaining units. Thank you very much.

>> Mayor Reed: Gay Gayle and then Ed Rast is our last speaker.

>> Mayor, council, City Manager, I come to you today thinking about our negotiations two years ago, and our -- for our contract in last year for our retiree health care agreement and choice. And at that time I asked that you think about ways in which the city workers can be recognized, not with money items, but with other items that show respect. Again, we're finding a memo and a supplemental memo that have data that isn't balanced. During the health care negotiations, we received a chart from OER that looked like this. It said that the city averaged to our health care costs were 108 for a single and 185. These numbers didn't seem right to us. So the city labor unions went back and looked at them, went to all the jurisdictions, did the comparables that you've asked for and found that our average was less than half for single and 75 for family. What this points out is that the data are not as you see them, and the presentation of them to you is not formally comparable. In other words, instead of comparing apples to apples, you're comparing apples to grapes. For example, how -- why would you combine police and fire numbers, when they're two different programs? They're two different contracts. They're two different animals, federated is unique both in regular contracts, employees, and retirement. So Alex has said that there are many other ways to achieve cost savings. If employee costs are two-thirds of the budget, 63%, the proposal you got from Alex was 91%. What about the other third of balancing the budget? What about cuts, enhancements, new ways to do business there.

>> Mayor Reed: I'm sorry, your time is up.

>> Thank you.

>> Mayor Reed: Ed Rast is our last speaker.

>> Ed Rast: Ed Rast. There's a couple of questions I've got basically to the mayor and the city council. It is that under your budget guidelines for negotiations, you talk about the idea of focusing on total compensation. But total compensation is rarely used or infrequently used for looking at the basically cost of employees. It should be a key issue in looking at a budget as well as a negotiations. Yes, there are differences between how you calculate total compensation when you talk about other cities, there is a way, take a look at how salaries are compared. And that gives you an idea of how it works. The California Highway Patrol, the Contra Costa county and others the concept that Palo Alto and other cities are talking about and we are also, of potentially treating new employees as -- with less benefits, has a problem with, and that is, in short situations, in high demand but statistically short areas like police officers in this State of California and certain other positions, if you do that with 7500 offices already short, how are we going to recruit some of the best people out there for not a lot of people and not a lot of demand for it. you have to look at that as part of your concept as you're looking through it. Also, one of the issues you are going to run up against on all of this, when you get to budget issues, is how your budget is late out. When you look at the budget itself and how it's laid out, if you line it up on a cost, where you show your revenues and costs on a line item basis, put in one area where you can understand it therefore can you get into better decisions. It is difficult to have decisions when you don't have accurate information. We have talent in the city, as well as talent in the city itself, if we all work together in a positive and respectful manner. I think that's something that I think we should encourage people to do. We haven't been able to solve the budget crisis in the last nine years. And I think we should probably work together as a community in the next few years to try to solve this. Thank you very much.

>> Mayor Reed: That concludes our public testimony. We'll bring it back for some council questions and discussion. There's no doubt that this coming year is going to be a difficult year. Whether the gap is \$90 million or \$10 million or several hundred millions it's going to be a big gap. Looking back in the several years I've been involved in this, we have closed, in order to close a series of gaps, I do want to thank the voters for approving J and K which gave us about \$50 million a year of revenues that we could hang onto. And last year, many of our bargaining units that were willing to agree on concessions that saved jobs and services to our people, I think the corn says he totaled \$9 million and I want to thank everybody that was willing to help to close that gap last year. At the end of the process and trying to negotiate those concessions I had a couple of comments that were very often given. First is, we should start earlier in negotiations with our bargaining units, and it would be really great if we gave them a number, rather than specifying exactly what we wanted them to do. Give them a number and let them work with us. So that's part of what we're doing here today. The City Manager has already engaged, I know we won't take action today but November 5th after we have had a chance to have some additional study on the budget, we do need to set a number in some form, at that special meeting. Even if you factor in new revenues, and one-time expenditures, which one-time revenues that we hope we'll have, as we have in the past, we're still going to have a very big gap left over. Now we have to make a incumbent of decisions, need to be made on November 5th. First is how to allocate the remaining shortfall between delimiting jobs and seeking to

lower the cost per employee, however that might be done. I think that division ought to be 50-50. The second thing we need to decide is to start negotiations for a second tier for new employees. because we know on retirement, it's not sustainable, the system we have now cannot be paid for into the future. And on that I think we ought to follow along with the policy statement that's been issued by the Santa Clara County City Manager's association, in continual junction with the San Mateo county City Manager's association with their guiding principles to help us in those discussions and negotiations. Those are a couple of things I think we should set next week that would allow us to negotiate with our unions earlier, have more time to be creative and do a lot of things by getting started early. I would like the City Manager for starting the discussion and getting engaged early. I want to thank our unions, who are willing to talk with us. Even though their contracts have contracts with zippers on them, they are still willing to talk. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor I would like to make comments on what members of the public discussed. I would like to thank AEA, I think those are ways to balance a budget. I would have to say that I agree with Linda didis, all stakeholders OE 3 felt that things were unfair, that also, kind of goes into what Gay Gayle was talking about a discrepancy of data. With all those things in mind all the public speakers have mentioned having these meetings in public so if you want all stakeholders and you want to get rid of discrepancies in data and you want to feel like you're treated fairly, then all these discussions need to happen in the public. At the council we have council committees. We deliberate in policy matters that all those meetings are public. Today we have deals brought to us at the end with no sunshine on what's going on and I think that's pertinent to solving all the waste of time and back and forth of he said, she said, so that is probably the most importantly thing because we can give any assignment to the City Manager and the staff to go negotiate. But in the end, it's most important that these discussions are understood by the public. So we know how we got there. I've said this again and again. I think it's -- would save us a ton of headaches on this council. I would imagine the migraine you would get once your prescription Anacin would be alleviated. That's the most important thing. We can talk about second tier, we can talk about sick leave, we can talk about anything else. But until we talk about the actual conversations that are going on, we're never going to get there. This is opening the Kimono for the city. It gets everything out of the way. I don't have to worry about saying one thing or the other. So I would make a motion to accept the staff report, with something that's going to get us towards public meetings. So I don't know if I can ask to have that agendized for the November 5th discussion that we have a clear time line or how we get there. Because I believe we have a council policy on negotiations, and we can have a council policy on negotiations that allows us to have those meetings as public meetings.

>> Mayor Reed: I think the City Attorney should answer that question about whether or not we could discuss that within the scope of the notice, the notice in the agenda item is broadly after we have our study session to give direction to staff on the negotiations, I think that would probably be within that but I'll let the City Attorney speak.

>> City Attorney Doyle: As part of the November 5th meeting you can have that conversation and I think we'll make sure if the council wants to have that discussion that they're able to have it and give direction. That being said, you run up against the meet and confer issue that it takes both sides to agree to have those meetings open. And it's something I think you would -- we'd have to discuss with the bargaining groups as well.

>> Councilmember Oliverio: City Attorney, can the council impose open meetings, as far as our council policy on labor negotiations?

>> City Attorney Doyle: Again, I think it's a meet and confer issue. I think we can get back to you and give you more details but that's the issue.

>> Councilmember Oliverio: So City Attorney just so I understand and the public understands if the council would like to have a certain policy in its council negotiations and the bargaining unit says absolutely not, it ends?

>> City Attorney Doyle: Well, it takes two to agree.

>> Councilmember Oliverio: So --

>> City Attorney Doyle: And the past practice has been that both -- that the negotiations are conducted in private. That can change but again, it requires both sides to agree.

>> Mayor Reed: Well, let me just ask a question about that. Because I actually had a Reed reform which has not yet been implemented which is that we place -- any offer we place on the table be made public. And as I understood we could do that even though bargaining unit hadn't agreed to that, we could

not disclose what they had said or what they offered without their agreement so there is a range of things that could be done as I understood it.

>> City Attorney Doyle: Yes, correct we do that and you have the ability to have more of these sessions in public. And fewer closed sessions for that matter.

>> Mayor Reed: Alex, did you have something to add on that?

>> Alex Gurza: Yes, I was just going to add that how negotiation are conducted, how many people are at the table how many times you're going to meet are sort of the ground rules, how we are going to go about the conduct of the process. Traditionally that may be discussed about confidentiality, what are the agreements that either side wants to make about providing the information to the public. The city has significantly increased the information that is available to the public about negotiations. For example, putting on the Internet proposals that we have made, etc. I think on the issue of whether or not they're open to the public or not it is best to have that discussion with the bargaining units. But I think the question that Councilmember Oliverio is getting at is, ultimately is it something that is subject to agreement or can the city say that? I think perhaps in the intervening time between the 5th we work with the city attorney's office to look into those legal issues to see what options the council has. But regardless of the legal issues, the best practice is to discuss it with the bargaining unit and see if there can be an agreement on that issue.

>> Councilmember Oliverio: I appreciate that further information but I want to get to the point of a discussion with the council, where we can vote. It is this most important thing we can do as I have said before in solving the back and forth and headaches. In the end we have so much money, we have talented staff, when it matches we've come to an agreement on the labor ir don't want to go through the pain that's typically associated with these things. We want to do good things with the City of San José and there are other things we can spend time on and we can maximize our efficiency.

>> City Attorney Doyle: Councilmember, we can have that information to you on the fifth.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: Again, that would be within the scope of what the council could do on the 5th if the council wanted to give direction. Anything else from Councilmember Oliverio? Councilmember Nguyen.

>> Councilmember Nguyen: Thank you, Mayor Reed. Thank you staff for the presentation. I think it's important that the public knows what's going on, having these kinds of presentations it is really critical. I just wanted to thank the staff and the bargain units in working in the spirit of cooperation last year. Trying to close the gap in the budget while sustaining long term quality of jobs, we really appreciate that it's just that the department has taken hits through layoffs, wage freezes among other sacrifices. I fully recognize these are challenging economic times but I also think this is critical the sacrifices each individual bargaining units have made in the past years, to I think these actions are extremely commendable, my hope is that as we head towards negotiations next year, that we welcome and bring all ideas, suggestions and options to the table, as some of the speakers have pointed out earlier and continue to engage the bargaining units early in budgetary conversation discussion, which the City Manager has already gun which I really commend her for doing that. So in the spirits of trying to make everything work out for next year, let's continue to do that. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. The one thing I wanted to make sure that we kind of keep a context to what we're facing this year, and what the hurdle size is most likely to be. I want to remind people about 12 months ago, right before the ballot election for measures J and K, we expected our deficit if those measures passed to be about \$22 million. And right now, we're looking at a potential of \$91.5 million. But in the time that transpired between those last weeks of October and the weeks of June when we were able to finalize our budget, that deficit has increased from 22 million to what was it, 84, 85 million. So that was a factor of approximately four times if you are looking at the multiplied factor or just a difference of about \$60 million, a significant difference. And that didn't even take into account the hit that we took from the state actions that we still need to deal with. And I just want to remind people to think about where we are on that time line, and how much time we still have to go until that budget is going to be solved, hopefully, in June, and how much of this mark can move. And we have to hope and pray that we don't see movement to a factor of fourX like we did last year or quite frankly even the delta of \$60 million. Because we have to be prepared that that could happen, though, and we could be looking at a deficit that is somewhere in the neighborhood of \$150 million or more. I don't want to, you know, try and be a chicken little but we have to also be realistic. In the Public Safety, finance and strategic support committee meeting that we just had a few weeks ago, looking at the direction of our indicators, our sales

tax figures, the property tax figures, all those other things, some of the declines in those numbers that we were looking at that were still a couple of quarters ago were significant. Like sales tax being down I believe somewhere near 30%. And those numbers are still lagging . We don't even know what we are facing in the last quarter. Just from anecdotal evidence from what we see happening in our districts and away we see going on with our businesses we know or at least I'm pretty sure that that's going to be an even larger decline for the next quarter. So as we start to revise our numbers, I want to be sure everyone is thinking, we're not locking in on that \$91 million that we're thinking, if this grows as last year's did, we are going to have some very, very serious decisions that we have to make. I just want to keep reminding about that deficit that we have and I'll say more but I don't feel like it right now so I'll save it for next week.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. I just want to thank staff for the report and I want to thank the City Manager and staff for starting these discussions earlier? There was outreach that was heard I think that would have been helpful, even more than last year concerning the nature of the deficit we're facing and I want to also reiterate the point that has been made a couple times that we certainly need to work together. We certainly would have not made it through last year's \$84 million deficit if we had not worked together and worked with the bargaining units not just in terms of the concession from the bargaining units but also in some of the creative ways in which we were able to balance that budget without dramatic impacts of service to our city. This year, as Councilmember Constant is indicating it is worse than last year, could get worse and it's neighbor even more important that the discussion starts now, and so as we go forward, I really hope that obviously the discussion today has to do with-d specifically with the discussions with the bargaining units, what could be done in terms of trying to bridge the deficit, clearly it can't be done, as Alex indicated, just by getting rid of jobs or just by reduction services. It's not possible. And so we know that we're going to have to be even more creative this year. And so I think going into these discussions, these early discussions we certainly need to keep an open mind to what suggestions are about from the community as well as from the bargaining units and city staff as to how we can bridge these divides and caution against anything that would cause a divide in the relationship or further in our working relationship at a time when we need them desperately, including closed contracts and not obligated from opening them, we certainly don't want to disincentivizing them by coming to the table by broaching subjects at this point that aren't going to fix our deficit this year. We need to get through it, and just like the last year, we need the bargaining units, I would encourage the city staff to continue, going forward this year and continuing into next year, thanks.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I fee guilty for asking Gay Gayle to come down here. I was hoping to ask a question about the chart that you showed us Gay but I pay be mistaken but I think it's the first time I've seen it. And I was hoping you might be able to explain. My understanding was, the concern was that the numbers from city staff were including public safety employees with nonpublic safety and calculating the benefit costs, is that right?

>> The chart that I showed you was just federated.

>> Councilmember Liccardo: Okay.

>> Okay? Yeah. And the point of the chart, the two charts is not that the city doesn't want to give us the information, but when they prepare the information, it's not always accurate. And so it's good to have just as you've said and we hope the have the information ahead of time so that we can verify the data that we can maybe present it in a different ways so that for instance, we're not averaging firefighter with a grounds worker.

>> Councilmember Liccardo: Yes, understandable. I agree that there's a very clear dichotomy in terms of the benefits that are being provided.

>> The other piece that I didn't have time to mention was that one of the things you asked for was comparables. And one of the times we have a challenge is compare to who about what? So the city had given us a chart of comparables in the Bay Area over 100,000. So that was an example. They gave us the chart with the data. There was a comparable that we had hoped to see in the supplemental memo. But that's the kind of thing that gives a complete picture as opposed to a partial picture.

>> Councilmember Liccardo: And just so I'm clear in that second set of columns, I think there were four columns where --

>> Uh-huh.

>> Councilmember Liccardo: -- you were making or the folks who were doing the numbers were comparing our figures to a comparable city's. Were we also excluding, or was the individual doing the calculations also excluding police and fire from those other cities' calculations?

>> Correct.

>> Councilmember Liccardo: So we really had apples to apples?

>> Yeah, we were going apples to apples. I'm trusting, you're scratching my memory and I'm over 60 so it's getting weak. We did apples to apples. We asked the city what their methodology was, and we took that methodology and went back to the cities and collected the same information.

>> Councilmember Liccardo: Would it be possible we could get a copy of what you have?

>> Certainly, I'll give them to the clerk.

>> Councilmember Liccardo: To understand that and make sure we understand it .

>> We want to make sure all the data is there and we can look at it all, just so you've asked, budgeting acknowledge make tough choices, we want to make sure you look at all the data, it is no slight on city staff at all, we work with Alex's group well, but we want to make sure that all the data comes forward.

>> Councilmember Liccardo: Thanks Gay.

>> Thanks.

>> Councilmember Liccardo: I had a question on page 3 of the report I want to echo if praise that my colleagues offered to several of the units that came forward next year, to make negotiations, when they didn't even feed to negotiate with us in order to save jobs and save services as well. But Icy, the thing was we all agree last year when the General Fund went 187,000 deficit, true zero saved approximately \$4.6 million in General Fund. That \$4.6 million does that include all the concessions last year out of General Fund bargaining? Out of bargaining that was relevant to the General Fund?

>> Alex Gurza: Yes, Councilmember Liccardo, it was 4.6 million as value of the true zeros. In other words, the true zeros, the savings for those that bargained that didn't have a contract, in other words, there was not a general wage increase scheduled, so that didn't really -- it didn't count towards reduce the deficit. The count is those who had gave increases as scheduled or gave up step increases, that's totaled these figures you see there on page 3 .

>> Councilmember Liccardo: If we were to talk about concessions and how much of last year's deficit was solved by concessions from bargaining units, I recall hearing a number around 10 million but I wasn't sure if that was accurate or not, and I saw this 4.6 million that I see here.

>> Alex Gurza: I think that was total of all funds. 7.8 million.

>> Councilmember Liccardo: 4.6 million of the 80 million was solved with concessions, the remaining 80 million basically came out of cuts in service --

>> Alex Gurza: Cuts in service as well as any revenue increases or anything, I'll let Jennifer Maguire --

>> Councilmember Liccardo: And reductions in whatever funds we may have had for reserves, is that right, Jennifer?

>> Jennifer Maguire: Yes, Jennifer Maguire budget director. Another key thing in the budget, we just saw an adopted budget and there is a chart in the City Manager's message which I didn't bring. But there was a removal of increases of bargaining unit that I can management we took out of the budget as well. So there was definitely more than this as far as budget balancing but again Alex discussed was correct .

>> Councilmember Liccardo: The additional came out of management employees, is that right?

>> Jennifer Maguire: Yes.

>> Councilmember Liccardo: It's fair to say, I guess where I'm getting is this. Again I'm very grateful of the concession made last year. We all know that it was important to save jobs in the city but to say the balance was balanced on the back of employees, when we got about \$4.6 million in concessions out of 8 million deficit doesn't make sense to me. We need to go in there with an exact awareness of how that deficit was sold, cuts in services and resorting to reserves. I'm very sensitive of the fact that we need to work collaboratively with all our bargaining units, all the employees at the table because we can't do it without them. But it's also clear that we have a clear sense of history here residents will be the hardest hit no matter what we do I'm sure because services are going to be cut very severely here. What I've said privately and I've been thinking about for quite some time, is I really think we need to consider how we can structure negotiation in which we give an up-front number to bargaining units that they need to help us solve? A number that really tries to reflect the permissible, allowing us to give the individual employees an election just as they have when they choose medical insurance, medical packages or any other kind of election that employees make, because I think we're going to face an ongoing problem through the

agency, negotiation, benefits as they get towards the end of their careers. Some of them are going to be very focused on salaries. Obviously no one wants to lose either one. But clearly there's going to be a preference based on the family situations, on the particular economic circumstances, what I'm hoping is that we can get to some point in which we can agree to what a fair election might look like for an individual employee, that will get us to the savings that is agreed upon. And allow individual employees to decide what their tradeoff is going to be between pay and retirement benefits. I understand it's very unusual approach, I know it's not something we've done before. I don't know if anyone else has done it but I can't help but believe that a big challenge in all of this for the leaders of the bargaining units themselves is going to be how do you fairly represent a very diverse group of people and their needs, nothing they're people of all ages and different stages of their careers, and very little important in what's first and what's least I hope we can explore that some way. We do have the most procedural, Moss high quality members of a team of any city in the country, librarians, police, maintenance workers, et cetera. The problem is simply that we've made promises, the problem is this has gone back city councils for years. Made promises that we can't continue to make to new hires. And I think the reality is if we're going to keep the promises we currently have to employees, then we have to have a new bargain with new employees. There's simply no other way around it. And I don't pretend that a second tier will solve any part of our budget deficit this year, it won't. I think the problem that we all recognize is the slope of the cost line is greatly steeper than the revenue line, if there is any sort of line, right now it's probably flat or downward. We are never ever going to get through this prop is unless we resolve that underlying dilemma, the cost of the increases. The mayor mentioned this, I should also mention that the mayors in the Santa Clara County city associations, that we have to move to a second tier and that Santa Clara County, that's you know, we're not a group of far-right-wing you know 18th union folks generally. Everybody's trying to find a way to solve this very, very difficult problem. And I think ultimately if we're going to be able to keep the groups we have we need a different bargain moving forward. You are look forward to the conversations we'll have and I appreciate the work of the many bargaining unit leaders who are here. I know they've got a very difficult job. I know Alex that you and your team have a very good job. Knowing everyone wants to do what's in the best interests of the city.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you mayor. Rick I know that you had earlier stated that you were going to get some information to the council before the November 5th study session. And I know that staff is -- and maybe I missed it but I don't know, has the agenda come out yet for the study session?

>> City Manager Figone: Yes, it has, and it's a special meeting, and it's broadly stated to entertain the requests that have already surfaced.

>> Councilmember Campos: Would it entertain one of the requests I think one of the speakers mentioned actually talking about how do we generate or raise additional revenues so that we can have a full discussion around the budget?

>> Yes, councilmember, I believe it does. The staff's nodding at me and we actually have a touch for that in the memo.

>> Councilmember Campos: You do. And then the other question the mayor had outlined, I think it was three things he wanted, maybe it's more than three, three things that he wanted the outcome happen at that particular item, when do we anticipate getting that information about what he's requesting, as a supplemental memo, or so that's part of the preparation for us as we move into the study session.

>> Mayor Reed: I will be doing a memo on that and it will be out not later than Friday of this week. I don't know what date the study session is, Thursday of next week, I think. Yeah.

>> Councilmember Campos: And I guess my questioning is, that to make sure as we go into this very important study session, that we have all information available and that it is broad enough so if there are ideas that can help generate more revenue, we have everything available to us, so that we're fully disclosing all information that will help us, hopefully, make some of these tough decisions a little easier. And I don't think there's an easy way to go about this. The other question, since -- if the agenda has come out, I haven't seen it, and I'll make sure that I see it soak. But one of the other things I wanted to ask is, I know that there is only limited opportunity for the public, and I think our bargaining units, to give input. Two minutes is really not an appropriate amount of time, sometimes when you have a challenging issue as itself. So I'm wondering in the agenda is there room for them to share their -- their input on how to raise additional revenues in the presentation or give their feedback?

>> Mayor Reed: This is a study session, sort of but it's a special meeting, although it's study session quality for the council to get up to speed. But there is no reason why we can't have a discussion on that publicly.

>> Councilmember Campos: At times in past, we tried to get all the players, I know when we had business leader beginning of giving their expertise, I think it's important that we have all the important players at the table, to be able to give us their opinion so we can make a thoughtful decision and recommendations for the negotiators to go back to the table.

>> Mayor Reed: Are there other comments or questions from the staff? No action is to be taken today. We had no additional public testimony. We did all that. Anything -- anybody else, Alex or the City Manager anything to add? Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I guess I want to echo some of the comments that have already been made. I want to thank the speakers that have come today to share their concerns. Yolanda Cruz who didn't speak but I see her there, Linda didis, thank you for helping us close the deficit we had. Continually living this, aren't we just here? It's not a fun situation for any of us. I want to thank Alex and his team afternoon our City Manager who have done a really good job of presenting the material. We have really tough, tough decisions to make, and challenges to face as a community. And you know, as I sit here, if in were a business, it's a public service, but it just really struck pleas all the kinds of work that we do as a service business. So many hundreds of positions. It is going to be a real challenge. And what we provide as services and our people provide them. So we need our talented people in order to provide services to the city. So we simply, you know, the idea of being able to solve it by reducing services totally, or the other way, reducing compensation, either end that we talked about, either end won't work. I want to thank Sam Liccardo for thinking out of the box, I don't know if it's possible, but that's the kind of thinking that we have to engage in to try to come up with something, and we are going to have to take a look at wages, and retirement costs and medical costs and of it. We all have to be willing to look at it. We need to be very good at working together, maintaining that good communication. I'm glad we started early, the last thing I want to say is that we're going to give the bargain being units a piece of number to work it all out. Is to see what they come up with to solve this problem. I think it's always good when you feel like you have some control over your fate, where you had some idea to add, to input to the situation. So I'm going to be really interested in hearing what people come up with, what kind of creative solutions we can come up with to solve these challenges. I know that other organizations other cities have used that approach. But I'm looking forward to walking along that path. I'd be very interested in moving this along and making this as painless as we can. And the wonderful services in this wonderful city, thank you.

>> Mayor Reed: I think we're done. Are we? Yes, we are, done on this item. Thank you very much. We'll move on to the next be item of the agenda, which would be item 3.6, report of rules and open government committee for September 30th, 2009. We have a motion to approve, all in favor, opposed, none opposed. Item 3.8, audit of animal care and services. We have a motion to approve, I have one request to speak on that, we'll take that now. Bad handwriting, bad eyes. It's either Gay or Gary Ralph. Hopefully you know who you are. Come on down.

>> Hi, my name is Gay Routz and I'm not sure if I'm supposed to present this at this agenda but it has to do with the animal care shelter.

>> Mayor Reed: This would be a good time to do had a.

>> Okay. Last week I had some handouts that I left with the City Clerk, I don't know, do they have them? There is an urgent need at the shelter, as it stands now, and it would come out of the capitol fund and not the operating fund. I volunteer there on Sundays and the laundry area, which has two commercial washers and two commercial driers, they're desperately in need of replacement. They run about 16 hours a day, and the laundry is somewhat overwhelming. They wash comforters, blankets, leashes and toys with a heavy bleach solution. So a 16 hour run on those washers and driers every single day, washing for approximately 500 animals, it becomes overwhelming. So I brought pictures last week to show you evidence of the fact that I stand about 5' 5" and you can see in the first picture the amount of laundry is just overwhelming. That's with both washers and both driers working. The picture on page 2 will give you another view of the amount of laundry that's washed each day. When those bins fill up and they have no more room, then they put the dirty laundry in trash cans and it lines the hallway. You can imagine the smell, because it's not the greatest, because the animals, you know, I don't want to go into that. Anyway on page 3 --

>> Mayor Reed: I'm sorry, your time is up but if you have any additional comments, you can put them in writing and again it will get circulated to us.

>> Okay, page 4 and 5 you can see the condition of some of the washers and driers.

>> Mayor Reed: Thank you.

>> Thank you.

>> Mayor Reed: Does anybody else want to speak on this item? That concludes this item. We do have a motion to approve. All in favor, opposed, none opposed, that's approved. Our next item, I believe is item 6.2. I'm sorry, we need to do the 4.3, coordinated marketing effort at the bottom of the page. This is a presentation that's been made to our community and economic development committee and recommended that the entire council see it since we have a lot of questions about how we spend our marketing dollars. Michelle McGurk or community information officer.

>> Mr. Mayor, members of the council. Grew out of our results of how our community marketing dollars are spent in the City of San José the first of these concerns surfaced in 2007 with our contract with Global Fluency and with the work of the mayor's office and the office of economic development and the City Manager's communications office we put in place strong metrics around that contract. And Global Fluency has delivered very measurable results for the City of San José. In fact, I just received some e-mails about some national stories that have just been posted this afternoon. So some good work there. In 2008, and in 2009, the Mayor's Budget Message which was adopted by the council gave direction first to assess marketing measures and then to coordinate our marketing efforts. We want to bring the same level of accountability to the other marketing efforts that we had, and we wanted to look at places where we could leverage our strengths, all of the groups that are around the table, and how we could, by working together, we could avoid duplication in these expenditures. So can we go to the next slide? Some of the efforts that we want to do is really focus on promoting San José more effectively. Our marketing dollars are limited. We spend a lot less than many of our competitive cities around the country. And what we've got is an effort to bring all the players together, both city departments, the redevelopment agency, and our contractors. And we want to improve our existing marketing and measure results. Next slide. This shows you who is around the table. We started with a relative small group, some select city departments, and groups like the downtown association, the chamber of commerce, and the Convention and Visitors Bureau, City of San José. We are not launching any new big programs and we are not embarking on a new brand identity for the City of San José. No new logos or things like that. Times are tough and we have limited dollars. Any new effort would take a lot of time and money. We also reassured all the partners that we're not going to be the design police or create a new bureaucracy. We don't need to see every press release that our contractors do or every event flier that they are producing. Although there are staff in the city departments and make sure these things have oversight when city dollars are being spent. The other thing to note is that the marketing and outreach that occurs in the city and agency that's focused more specifically, things like the ethnic chambers of commerce, specifically focused on programs like you know, story hour at a branch library, that type of outreach is not covered by the communications working group. We're really focusing on the broader promotion of San José as a whole. The next slide shows you our work plan. We've already done the first peer review, and that's really how we're working. We're work as a peer to peer organization, reviewing and developing metrics for each of the partners at the table. The San José downtown association has been the Guinea pig and gone first and been very effective in increasing some metrics and changing the way they're doing some of the marketing. In October we did some additional work around messaging and target marketing with all of the groups. We do have a very solid message architect for San José that Global Fluency developed in partnership with many of these groups and if many of the councilmembers haven't been briefed on that measure i'm available and staff is availability to work with you and your staff so that you can understand the messaging that we're all using as we go out and talk about San José. Over the next few months each of the groups including our city departments will go through peer review. Next up in November is the Convention and Visitors Bureau, Team San José, and we'll be working on their marketing plan at our November meeting. We're also going to do some special training around special media and new media to build those skills with the groups. Finally, I wanted to show you a quick look at the baseline questions that each group is looking at, really focusing at the basics of marketing. Who their target audiences are and how they plan to reach them. We've actually implemented participation in the communications working group, in two of the contracts so far, the Global Fluency contract and the San José downtown association contract. Both require participation in the communications working group. We plan to have that incorporated into future contracts, for marketing partners as well. What we found with the downtown

association, and I can give you just a quick overview of one piece of hair marketing, it was pretty indicative of what we are seeing with our city departments, and we've had conversations with city departments, the redevelopment agency staff, as well as the are other contractors, is that too often we were focusing too broadly. We would say we need to reach the entire City of San José, all of the million residents in San José with this project. And instead of really focusing our dollars and figuring out who's going to attend an event or be a key target for the outreach that's being done, and with the downtown living campaign for the downtown high rises, the downtown association and their partners, all of the downtown high rise developers, have really targeted in on key audiences. And if you think about it, if you're marketing to an empty nester from Almaden, you're going to make a very different approach than if you're marketing to a 30 something engineer at adobe. so it's a different approach that you need to take and too often we were finding that all of the folks around the table were measuring their success, based on the number of features in certain publications locally, how many news stories they had in local media, instead of determining if they were actually reaching customers, and you know, getting the kinds of sales, or business development that we need to. With the downtown living campaign, we measured the success in both attendance at the open house but ultimately in sales that resulted. And we have had some condo sales that have resulted downtown from that key event. The ultimate metrics from my perspective for this committee will be increased sales tax revenue, decreases in our vacancy rates for things like commercial office space, downtown, increased room nights in our downtown hotels, increased transient occupancy tax. And those are really the ultimate measures of any marketing success. So with that if there are any questions from the council?

>> Mayor Reed: I think we'll have a couple of questions. I had one and that had to do with the Team San José CON-VIS discussion, I don't know if they published their materials or not but one of the materials I think would be important to discuss is what can you do on marketing to deal with some of the negative publicity that's been generated in the trade press especially around some of the structural changes at the convention center. I think they need some kind off a campaign to deal with that. But I'm not the marketing expert. We'll let the committee deal with that.

>> That's something that we will add to the conversation when we meet with them, both when we meet with them in their one on one meeting but also in the round table meeting which is November 12th is the next committee meeting.

>> Mayor Reed: Councilmember Pyle who chairs the Community and Economic Development committee.

>> Councilmember Pyle: Thank you. And thank you for a great job of presenting that very concisely and very well. I think you've done a yeoman's job of bringing together all of these different groups and getting them on a common message which in the long run is not only going to help us with our budgetary concerns but also do the kind of expansion we need to do to bring more income to San José. So thank you very much. You've been a true linchpin in making this happen and I appreciate that.

>> Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, mayor. I just wanted to extend my thanks, Michelle, we're really thankful that there's increasing coordination, in these tough times. One thing was a common message. Sounds as though common message is not exactly what we're looking for, is that right?

>> It's not entirely common message. We want to talk about San José broadly with -- and speak with similar messages. But it does depend on the audience you're talking to. And so our message architect has several components. Whether you're talking to -- about San José as a place to have fun and recreate as a resident who is living here or if you are talking to a group of CEOs who are thinking about locating a business here. Overarching, we talk about the innovation, the creativity and the diversity of our community and how those feed into the various factors that make San José a great place to live, work and play. But you really have to ask first who the audience is that you're wanting to talk to. And we also have to recognize where our strengths and weaknesses are, and that's part of our work with, for example, with the Convention and Visitors Bureau, is our strength as a business destination versus our strength as a tourist destination, how do we focus on our strengths, and we don't have enough to play to our weaknesses .

>> Councilmember Liccardo: Thanks, Michelle. I saw an article in the New York times a couple of weeks ago, that all of us would like to come out differently, about the San José airport, the is that the kind of thing that people start hearing, times's column or something, is there a way that we can get better information to this reporter who seems to be kind of going one direction or another?

>> We do try to coordinate, and keep people posted when there's a big call like that and do a lot more referral. I think the work group is helping with that coordination happening. It is not always seamless and sometimes the deadlines are short but we are trying to work to improve those lines of communication so that there is no collaboration happening between the groups, rather than often you find these in communities and I know this from my work in the nonprofit communities, New York Times wants to own that story for their own organization and make sure that their, you know, CEO or executive director is positioned as the spokesperson. And I think we're working more to collaborate, so we know that what's good for all of us, by work together, you know, it's good for the City of San José and the teamwork helps. So I think we're helping make that happen. With that particular story, I think there could have probably been a little more coordination. The airport is one of the seats at the table, though, because of the connection on all of these sides.

>> Councilmember Liccardo: I don't pretend you in any way are going to have any control over the outcome.

>> Yeah.

>> Councilmember Liccardo: I just raise it to help me understand the process a little. I know Scott Knies is here and I think an important point for all of us to keep in mind is in the electronic age, the downtown association has helped us understand this, the zombie crawl was all organized by Rick hanging out on twitter. There were a thousand people out there or more the point is not all marketing costs money. There are people hanging out there doing creative things and I hope we can keep doing that.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: First of all, thank you for the presentation. I just wanted to go out to the slide that you have the that shows all the different people in the table and in looking at this and hearing some of the dialogue that's been happening around this discussion, you talked about wanting to have a consistent message to promote San José. And we know that we have the that is the downtown and we know that we have within the city we have various business districts that are thriving that also offer the diversity that you talked about in our communities and in our neighborhoods. And yet, they're a huge component to the economic engine within the City of San José. So I'm wondering, with the downtown business association, and the chamber, and other entities that are at the table, who is working with that particular group, so that that -- that's actually a different message, in how you're going to market that particular business, businesses, so if you could explain that to me on how you guys are approaching that.

>> That question is actually very timely, councilmember. We, as part of our work with the redevelopment agency staff, learned that there was more that could be done with the neighborhood business districts, in developing a more complete marketing plan for them. They have a business plan and actually reported the same day I did to the CED committee on how their progress is going and working with the businesses. But that there could be more of a well fleshed out marketing and communication plan for all of the NBDs, so we're going to be working on that. That's not part of the committee's work plan, but we've decided that the staff in our office and the redevelopment agency would meet and start to put some planning together around that, some ideas, and work with the NBD staff. The other piece of it is that one of the contracts that the chamber of commerce has, a piece of it, their redevelopment agency contract is around capacity-building and marketing with the NBDs and so this also ties in with the committee and make sure this metric is in the contract and their contract is up for peer review in December, so I'll be doing some outreach to the NBDs then cells as part of the preparation for that December meeting.

>> Councilmember Campos: And then my last question is, so I guess in looking at the players, we know that we have a lot of restaurants, and we have the entertainment zone out there and the groups, people that participate in that. And we know that a lot of the restaurants and the other entertainment groups spend a lot of money trying to get people to come to downtown, so that they can generate their business. Are they at the table, or is that -- are you handling that issue or is that something different as well?

>> Yes. They actually, the San José restaurant and entertainment association has been attending the meetings. The initial voting structure of the committee was designed to be the city departments and the folks who actually receive city funding. And they don't have -- meet either of those criteria. But the meetings of the communications working group are open, and we post the agendas on -- we have a Web page on the mayor's Website. And the restaurant and entertainment association has been attending the meetings, and actually providing some very good feedback to the committee. And so -- and both to me,

individually, and then to the committee as a whole. So I think it's been a very productive partnership with them, in their participation.

>> Councilmember Campos: And thank you for that. Because I know that the main goal is to hopefully have one marketing plan that we can distribute throughout, pain not the whole city but at least a huge portion of the city. Thank you.

>> Yeah, great.

>> Mayor Reed: Any other questions or comments? I think not. Thank you for the report. Now we'll move on to item 6.2, a master agreement with URS corporation. We have a motion to approve, all in favor? Opposed? None opposed? That's approved. Item 6.3 is a project to remove and replace asphalt concrete pavement, 2009. Motion is to approve. All in favor? Opposed? None opposed, that's approved. I'll take up the redevelopment agency board portion of the meeting. Probably have a little staff switcheroo, with the staff. First item will be the consent calendar. Any items on the consent calendar the council would like to pull for discussion?

>> Councilmember Campos: Move for approval.

>> Mayor Reed: We have a motion to approve the consent calendar. All in favor, opposed, none opposed, it's approved. Item 3.1, presentation of the quarterly project status report.

>> Harry Mavrogenes: Mr. Mayor, members of the board, if it's your pleasure we'd like to give you a brief presentation of some of the projects we're working on now. It's a very difficult time now, we just submitted our budget with significant reductions for the year but there's a lot of stuff going on and I think it's important for you to see that so with that I'd like to ask Bill Ekern to make a brief presentation.

>> Bill Ekern: Excuse me, thank you, Harry. Mr. Mayor, members of the board, I think it's -- one of the things I was struck by in going through this for today, excuse me, was that we completed 12 projects or 17 projects actually over this last quarter and another 12 got underway. And so there's a lot, as Harry says, a lot of things that we are doing in these most difficult times. Probably the most important things we have done today is the renovation of the first church of Christ Science, first large parts of the community much happier because we're able to secure this building and move forward with the structural work that's needed. On the convention center we continue to move forward with the roof project which is the outstanding construction projects that we're working on right now. we got hit a little bit with the unexpected rain and winds a week or so ago but the contractor has done an excellent job in securing the site and allowing us to continue to move forward and not disturbing the conventioners. The public parking at central place opened as you know with the market, the Safeway market very critical element in the downtown and the success of retail in the downtown. Civic auditorium, in this last quarter we have done enough work to enable Crosby, stills, and Nash and steely Dan to have performed here. Back of house stop of house, desparately trying to stay ahead of Niederlander, and their program here. The key program was removal of 1970s buildings that were attached to the back of the theater itself. This allowed us to open up the loading zone a lot easier for the load being crews much better for Niederlander and Team San José people and made people much happier. This is a critical project that we jammed in between other work we were doing out there in order to accommodate these requests. On the transit mall over the last decade or so the pavement, the bran it pavers along the Fairmont Hotel and the circle of palm area has settled out. There's settlement in the transit mall itself. We are working with the Department of Public Works to replace and are repair the part. We don't want to be under construction and inadvertently cause problems to the hotel. Nice project that's going on downtown is, agency has an OPA, other than participation agreement with the architect groups to rehabilitate a vacant commercial building down on Market Street. This project is underway. Also, in the downtown we have a handful of facades on historic buildings that we're finishing up over the course of the next several months, Botown, town and south first is very important and underway and moving along quite well now. In the downtown and throughout the city, throughout redevelopment projects in the downtown and neighborhoods we work with the Department of Transportation to provide funds for the restoration of public infrastructure, get the street lights up and running and repainted and revitalize these pieces of infrastructure that otherwise would continue to deteriorate and eventually become real hazards. So we try to work proactively with the city staff to get these projects underway. immediately across the street on the property that the redevelopment agency owns, we repaved the way for the Amgen bicycle race, create some drainage retention on that project. The city also wanted to do some green sidewalk projects to test out different materials in different ways, for dealing with construction. So we did a collaborative project written the Department of Public works designed and built a new sidewalk using green concrete so that it's much more ecological as it were and on the agency's property we built -- we installed a drainage system that

can be prototyped for park lots throughout the city, as well. Planning continues to move forward with baseball stadium. In fact there's a good neighborhood committee meeting this coming Thursday so efforts are still underway to keep this project moving forward. And part of the work that we're doing down there in this preparation is on properties that the redevelopment agency owns, continuing to clear the sites, so that when development is ready, we are ready to work with the developers, be it baseball stadium or whatever project comes port. The signage grant program was active over the end of last -- the summer and this quarter. This is an example both in the downtown and industrial areas of the sign program. Retail continues to be active. We've done -- continuing good job in this very difficult market to open new businesses in the downtown. Many new businesses in the neighborhoods, these are some of the examples of the new businesses that have opened. Construction continues down in Edenvale, this is an important community project. We expect to be done just about the end of the first quarter 2010. Construction is moving very rapidly right now. Another long -- another planned community center that we hope to be able to get to depending on budgets over the next couple of years is down in manvia Monte, the redevelopment agency acquired a few four plexes, we've removed them in order to remove the blighting be prepared until as much time as we can find the funds, we have prepared the site so it's fenced and it will drain but it won't be a hazard and won't be an eyesore. We have opened up a custom of projects during this quarter, one at San José Conservation Corps, one at San Juan Bautista, this was a very productive year for our childcare projects, we have two or three more that we are just completing so we will be able to report at the end of the next quarter. A very good project I think demonstrates the way the redevelopment agency request work with the private sector and also for the city was the center for training and careers with \$800,000 from the redevelopment agency, we went into very unheard of redevelopment project area, Olander which is a little industrial area that's hidden off of 280 and worked with this group and the city to develop and open up a vacant warehouse building, to this important educational program. Facades continue in the neighborhoods. I like these allot because these are all in my neighborhood frankly and it's nice to see the Alameda coming along. Very productive quarter for my neighborhood. And also, continuing with the facades, the fourth street bowl is a very important project to the 13th street neighborhood, and I think this is an example again of the benefit that we can provide into the neighborhoods and really restore the historic quality of the neighborhood. Again, we've been very active, the agency's and city's trail and outreach folks continue to work aggressively into the marketplace. We are able to bring 44 jobs into the downtown and occupy about 20,000 square feet in this last quarter. Working with the downtown association and we talked a bit about this briefly, of the Community and Economic Development Committee yesterday, quite a bit of activity in the downtown, working to try and do more outreach and ways to bring more people into the downtown, and this is just some of the examples of programming and marketing that it takes to do that. Continuing to work in the industrial areas, to recruit and retain businesses, these are some examples of businesses that we worked with there. In the enterprise zone, I any the key piece again, there was a question yesterday in the Community and Economic Development Committee about how do the vouchers work with the businesses, when do those come in? And the piece said, I took away from staff on this is that within the 24 new companies that were brought in to the program, in this quarter, 155 of these vouchers went to those 24 newly participating companies. Again, a business has about -- has five years in which to take place in this, but this does give you a sense for how that might work. And then, finally, within this last quarter we were able to effectuate a lease to bring together the incubators into the downtown innovation center. With that I'd be glad to answer any questions.

>> Mayor Reed: Questions or comments from the council. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, mayor. Bill, thank you for the presentation, as always, fantastic work, great to see. I was hoping if it's not too hard to go back to that slide, if it is too hard don't worry about it. Going back to that slide where you, the RDA and the Department of Transportation collaborated out in front of City Hall. I had this question posed to me many times before so I'm going to throw it out there. Can we allow someone to set up a basketball court out there on that empty site?

>> Could we allow someone to set up a basketball court on our side?

>> Mayor Reed: Only if it's solar powered.

>> Councilmember Liccardo: The downtown association won't stop bugging me about it. I think they want to start the three on three tournaments.

>> Bill Ekern: I don't think there's anything in the code to prevent it.

>> Mayor Reed: I think we will have the solar decathalon.

>> Councilmember Liccardo: The San José State students?

>> Bill Ekern: Sometime next Thank you, Mr. Chair will show up.

>> Councilmember Liccardo: Perhaps they can hang around and show us Howe to set up the court. Thanks Bill.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Kalra: Thank you mayor. Sam and I have been itching to want to go one on one. I know, thank you for the report. Like the fed scale lighting and removing and doing the tree trimming and so on, and in addition to the repaving of the shopping center there, you know, no one -- none of us are going to think of that alone is going to create a huge difference but it does create a quality of life difference. People there walking around that neighborhood it does look better, it does feel better, it feels safer and I think it just gives a better sense for folks who live there and I think they have more respect for their neighborhood knowing that the city is doing something to improve the quality of life there, that the redevelopment agency is investing money there and I think that particularly with the facade improvements that are going on, with the project, alliance and with the facades of some of the buildings down there, I think all in all it's really adding to the attractiveness of that street and that street has been a thorn in the side or the some time, at different times, over the past few decades. And so I just want to -- I think that none of those projects, giant big projects, community center or some of the huge things happening downtown, I don't think it takes a big project to make a big difference. So I think the combination of those different types of projects that are really targeted and focused do improve the quality of life of people who live there. So I want to thank the agency and thank the work that's been done by the staff and those on the ground over there for really improving the quality of life not only in that neighborhood but in the projects throughout the city. So thank you.

>> Mayor Reed: Anyone else? Okay I think that concludes the report. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you mayor. I just want to briefly say on the civic, a lot of them are for items that we don't see, flooring, roof, HVAC et cetera but one of the least expensive items that everyone notices is the beautiful LED lights. So I think as we proceed further in tight times if we're wanting to make some of our historical buildings look well, actually the LEDs are very affordable for both upfront and ongoing costs. And then one other item I wanted to mention from your presentation, if I can find this slide. Oh, the downtown branding campaign. You have a couple walking out of the California theater. And it just looks like a really -- it's a good photo. I think it really talks about one of the key marquee landmarks in San José and I just like it so thanks.

>> Mayor Reed: Anyone else? Okay, I think that concludes the report. We have a motion to approve by the chair. And second. All in favor. Opposed. None opposed, that's approved. Taking us to our next item which will be item 3.2, regarding the amendment to the reimbursement agreement with J.P. Morgan. Before we consider this, we need to consider the waiver of the sunshine requirements and authorization before we get into the substance. Councilmember Liccardo, I would like the City Attorney to explain why we are going to waive the sunshine requirements requirements.

>> City Attorney Doyle: Yes, this is a matter that the redevelopment agency was involved very intended at Rules to get the waiver but we only had two members, and two members could not act on it so it's up to the council to make the finding for waiver before you can take action.

>> Councilmember Liccardo: Do you need a vote on that? Okay, I'd move to waive sunshine.

>> Mayor Reed: Motion is to waive the sunshine requirements. We are of course in compliance with the state law under the Brown Act. That's not the issue. That is our own requirements that with would be ordinarily two weeks before for publication.

>> City Attorney Doyle: The memo was out on the street a week before.

>> Mayor Reed: So it's been out on a week. The motion to waive sunshine, all in favor, opposed, none opposed, that's approved. On the project on the recommendation itself, Councilmember Liccardo did you want to speak to this?

>> Councilmember Liccardo: Thanks, mayor. I just had a few questions for David or anybody who would like to respond. David, I'm trying to understand all the implications of this. As I look at page 3, paragraph 5, as I understand it, if the coverage is required of -- coverage ratio of 1.0, does that mean essentially we have to keep 100 million tax increment available in reserve at all times for the duration of this contract?

>> Councilmember Liccardo, David Baum. No. The way this works is, the debt service on the senior bonds and the subordinate bonds of which the 100 million is part of what we call our subordinate bonds would be used to determine what our coverage is. So for example, 100 million bonds based on current interest rates is probably 2 to 3 million a year currently. So the debt service on those bonds would be

used to determine the coverage. Based on today's revenue, and today's debt service, that coverage would be approximately \$1.18 of revenue to every dollar of debt service.

>> Councilmember Liccardo: Okay.

>> So we would comfortably pass the debt service limit.

>> Councilmember Liccardo: Okay. The bonds are already secured by a stream of tax increment and what this letter of credit allows us to do is get these incredibly low interest rates that we have that are described on the top of page 4. I'm not really clear why you need a letter of credit in addition to security. It seems to be superfluous, assuming that the security you have is in fact real. And so I was hoping maybe you could explain that, David.

>> Well, councilmember, you're asking me to explain one of the conventions of the bond market. And this is a huge marketplace. The City of San José itself has hundreds of millions of dollars of these types of bonds. And the City of San José has a double A credit rating. However, based on the conventions that are in place for this, you know, multibillion dollar market in the United States it's required that issuers like redevelopment agency of San José or the City of San José would have a letter of credit. And the letter of credit provides two things for the marketplace. One, it provides immediate liquidity, so that when a bond holder would tender the bond to the trustee in place, that the letter of credit would immediately be called upon to make a payment. Especially as these bonds are reset weekly, and oftentimes bond holders which bring their bonds and tender them for immediate repayment on a weekly base. It provides liquidity, and secondly, it provides homogeneous J.P. Morgan allows us to get the rates far below the rates paid by other borrowers in the municipality market. So for those two reasons, yes, we do need a letter of credit. There is a security, like you said, the repayment of the debt is secured by the tax increment and other surplus revenues of the redevelopment agency. So there's that security, too.

>> Councilmember Liccardo: If I understand this correctly, and thank you for that explanation, that was helpful, if I understand this correctly, between the 2003 bonds and 1996 -- I'm sorry, 2003 letter of credit and the 1996 letter of credit, we're going to be facing an increase in interest rates somewhere between 80 and 175 basis points and that's what creates this additional \$1.2 million obligation. But it appears that there is also, it's subject to an increase in each case of 15 basis points for every rating down grade. And that caught my eye, because of course, we're looking now at the RDA budget knowing the extraordinary constraints we're under, also knowing that we haven't completed negotiations yet with the county, knowing there are uncertainties in January based on what the assessor tells us about property values and so forth. I was hoping we could have some sense about the range of risk there of a bond rating down grade, assuming the worst-case scenario.

>> Well, I'm glad you asked that question. Because last week, we received an affirmation from one of our rating agencies, Moody's, that the agency had been reaffirmed as a 3A credit rating. That just came out last week and the report hasn't come out yet, we haven't made that official, that affirmation was just made to me and others. That's true. The 15 basis point increase would apply if we were to get a rating down grade from either standard and poor's or moody's. Moody's heard about our budget proposal and they were comfortable with it and so that was good news there. Now, if you look back to 1996, the all in interest rate for these variable rate bonds has been under 4%. As been pointed out in the memo, we have been paying 15, 20 basis points, this is the lowest rates ever. Compared to the interest rates last year it has been a terrific, wonderful rate for us, it saves us more than \$2 million in debt service which pays for the a lot of our staff and projects. So it's been a great program, possibility there that interest rates could rise, as some people say inflation is right around the corner with the stimulus program in the United States. But for the last 13 years, it's been a terrific program.

>> Councilmember Liccardo: Thanks, David. Last question, so I understand the big picture here. I understand 5.3 million is going to be reducing the principal here. But we're essentially paying \$1.2 million for essentially the ability to kick this can down the road for one year, is that fair? I mean we've got to renegotiate --

>> Putting that in context, the last time we received a credit extension we had two choices, we could either extend it three years or five years. And that was three years ago. We chose three years because we had some assurances from J.P. Morgan that we could pay a lower fee and we would get extended in the future. The program was contemplated to run for 30 years. And the bonds have an amortization out 30 years. Currently in the extension and letter of credit market, no banks are extending beyond one year. So we have a one-year extension which is as much as we could ask for this year. At these higher fees we are still way below what we pay on a fixed rate basis. Are we kicking the can down --

>> Councilmember Liccardo: I wasn't meaning that to be -- it wasn't meant to be pejorative. What we need to go back to the negotiating table in one year, right?

>> Right.

>> Councilmember Liccardo: That's what I meant by that, I'm trying to anticipate based on what we know let's assume financial markets improve somewhat, I don't think anyone expects a major recovery, but are we contemplating a \$1.2 million cost to be able to buy this time or do we expect as we renegotiate in future years that that number would come down?

>> We would hope that it would come down. Because over the last since 1996 we've been paying around 50 basis points for this letter of credit. Now they're up to 2.1 to 2.3%. And that's of course been the highest by far than in the last 13 years. And so we would look to come back and ask them for a reduction to a more normal time and a more normal, you know, historical fee.

>> Councilmember Liccardo: Okay, great, thanks David.

>> Mayor Reed: Any other comments or questions on this? There are two items that still remain that need to be the subject of a motion to approve the amendment, the reimbursement agreement and resolution improving the adjustment to the capital budget motion is to approve both items. All in favor? Opposed? None opposed, that's approved. Taking us to item 7.1, amendment of a lease with two fish design for 366 south first street. Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to thank Ryan around Sherry, I don't think they're here I just wanted to say what extraordinary cultural treasures there are in our downtown. I'm happy to see this happen. I know they're in challenging times and their business. One thing that wasn't included in this report, maybe inadvertently, their work with collide, which was extraordinary as well. All the things they're doing between pages 2 and 3 are extraordinary and I'm grateful having them work on behalf of the city really. I think this investment is well worth it. I move to approve.

>> Councilmember Herrera: Second.

>> Mayor Reed: Motion is to approve the amendment of the lease. All in favor, opposed, none opposed, that's approved. That takes us to open forum. I do have some requests from the public to speak in the open forum. Ross Signorino. Kathy Brandhorst, Jeffrey managers and Jeff Lucero.

>> Ross Signorino: Mr. Mayor, members of the council, what I have to talk about deserves more than two minutes for sure. This young woman, who was killed on the streets here, her name was snow. You can imagine because of two people racing on our streets. This is an innocent girl in the time of her life, wiped out completely. Now the parents if the scenario's played out correctly will have to go pick out a coffin for her, try to remember away was maybe her favorite dress to dress her up in that, and then the shock of going to the wake, and seeing their daughter in a coffin. I think this is very tragic and of course then you have the church services, is it going to be one and then the funeral service. But the reason I bring this up is because this thing is so tragic in its nature and so senseless, that somehow or another I don't know who cam but somehow or another, this has to be brought to your attention or the police department's attention, to try to do something about these people that are irresponsible, risking the lives of others, in this case, killing someone. If it were myself, if I were the District Attorney, prosecuting this case, I would go to the death penalty. This is culpable, you should have known that you could hurt another person. But then at the same time, it's not going to comfort the family. And maybe some of you afterwards, if not at this meeting, would like to comment on it further, in other meetings, Allen and Mr. Mayor, maybe to you I would like to say, maybe you'd like to dedicate one of the meetings, with the family's permission, to this young lady who was killed on our streets. Thank you.

>> Mayor Reed: Kathy Brandhorst, and then Matt Curry -- after Katy Brandhorst, Jeffery and Jeff.

>> My name is Kathy Brandhorst, Lisa Marie Presley, JonBenet Ramsey, John Steele and I'm also the United States president. As you know, you cannot carry a gun anywhere in the United States. It is against the law to carry a gun to shoot down humans. I just wanted to let you know, people have been becoming victims, because they see you carrying a machine gun. That's a victim. Now you're going to destroy him by torture. Destroy the body so badly, that it's beyond recognition. I also wanted to let you know, filling a person up with bullet holes because he saw you carrying a machine gun, also, I just wanted to let you know, you're all from Mexico. And you need your human skin, your human body parts, and your human organs. You are told to go back to Mexico, ten years ago. You're still here. You're going into 12 years now. And I just wanted to let you know, I estimate about 210 of you are the ones that are needing your human skin. And so I just wanted to let you know, I have had 17 apartments appointed to me by the emergency housing consortium. And you are the ones that are stealing my apartments because you need those keys, you need to get off the streets. You don't have a place to live. And this is --

>> Mayor Reed: I'm sorry, your time is up.

>> Okay, thank you.

>> Mayor Reed: Jeffrey mangers, Ramon Lucero. Okay, come on down.

>> Good afternoon, Mayor Reed, councilmembers. My name is Matt Lucero, I'm a corporate attorney, medical marijuana. Specifically I'm here to see if council would consider amending its zoning ordinance to allow for the lawful operation of a medical marijuana operation in San José. This issue isn't new to the city. Back in 1997 you guys did have for four years a zoning ordinance that allowed it but in 1971 that zoning ordinance was repealed, the reason being, apparent conflict with state and federal law. Let's be clear that the city does retain the discretion of a dispensary to operate if it so chooses to do so. Also on the federal conflict, federal government came out with a new position and their policy now is that they will not interfere with legitimate medical marijuana dispensaries and they're rightly going to leave those issues up to state law enforcement. With regard to state law issues, I firmly believe that a medical marijuana dispensary that's operated in clear compliance with local guidelines that's cooperative with the local police, it's transparent to the local police, it's going to have a lot of benefits to the community, not only is it going to provide safe, reliable access to medical marijuana to our seriously ill neighbors, but it's also going to serve as a significant tax revenue to the city, which case I'd very much welcome many tax on gross receipts, contributions for local charities. Serve 64% of Santa Clara County voters approved of prop 215 back in 1996. 64%, two out of every three, that's almost 10% more than the state average and I'd ask at this time that the city consider either adding it as a study issue or perhaps consider adding it as an agenda to its next meeting. Thank you.

>> Mayor Reed: Jeffrey mangers our last speaker.

>> In might take me more than two minutes to get through it. At the council's discretion.

>> Mayor Reed: Two minutes, we're going to adjourn.

>> I'll come back next week. My name is Geoffrey Mangers. The last name is M-a-n-g-e-r-s. I've come here to invite Chris Baleki to join me as a plaintiff in my suit against the county. I've e-mailed him and written him. I'm actually negligent in not having informed the city attorney's of all my CMCs involved in this case, which the -- the city interestingly is the plaintiff, and a defendant. But it is much more so a plaintiff, I believe, in all of this. I think the framing of an innocent officer is something I would not call mental health at all, in fact I think there's something mentally healthy about any of it and the next CMC date is 10:00 a.m. this Friday, Department 10. I will -- should drop off a copy with the City Attorney, I suppose. I have nowhere I need to do that. I'll come back next week and tell you what it's all about.

>> Mayor Reed: Anything you want to deliver to the City Attorney you can drop off to the clerk's office at any time and she'll get it to the city attorney's.

>> My two minutes up?

>> Mayor Reed: You got 20 seconds.

>> Oh yeah, publicforall.com. The only way I know to do, this case is definitely complex. Ultimately I realize it involves the plight of all unrepresented litigants. It simply turns into a suit against the Bar itself. The only way I can is with the --

>> Mayor Reed: Sorry your time is up.

>> Publicforall.com.

>> Mayor Reed: That concludes our meeting. We're adjourned.

>> Councilmember Kalra: Happy birthday Kansen.