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Rules and Open Government Committee meeting.

>> Mayor Reed: This is the Rules and Open Government committee meeting for May the 5th, 2010. The first question is whether or not we have any changes from the printed agenda order? No, okay, then we'll plow through it in order. Starting with May 11th council meeting agenda. Anything on page 1. I have a question about the invocation, it is some kind of a skit. Can it be done in less than five minutes? That's our rule, right, five minutes? Okay, who's in charge of that, that's district 5, right? Okay. Anything else on 1, page 2 or 3? Page 4 or 5?

>> Excuse me, mayor, on page 4, the neglected, vacant or abandoned buildings ordinance, staff is requesting a one-week deferral of that item. I think there was still some issues being worked out with the attorney's office.

>> Mayor Reed: Okay. Anything else on 4 or 5? Page 6 or 7, which are the agenda items for the financing authority joint meeting. I have one request for an addition, that's to add my reappointment to the Bay Area water supply and conservation authority board representing the City of San José which I've been doing for the last several years. And a commendation, a gift from the better living education foundation to the city. National tourism week for May 9th to 15th. An excused absence request for my trip to Sacramento on a lobbying expedition. Any other changes or additions?

>> Councilmember Constant: Motion to approve.

>> Councilmember Pyle: Second.

>> Mayor Reed: Motion is to approved as amended. All in favor, opposed, none opposed, that's approved. May 18th, council agenda. Let's not forget that there's probably four council meetings between May 11th and May 18th because we're in the budget cycle. Anything on page 1 for May 18th? Invocation, we've got drum corps, five minutes. Anything else on page 1 or 2 or 3? Items 1.1, ceremonial items is a whole bunch of people that are getting commendations for champions of arts education awards. They're not all going to speak, are they?

>> No.

>> Mayor Reed: City Manager is in charge of that, one person is going to speak.

>> Yes, actually it's Councilmember Liccardo that's going to be taking the lead on introducing the item and then the recipients will receive the award.

>> Mayor Reed: Okay, we need to make sure that Councilmember Liccardo also agrees to only one person speaking, that would be him. Anything else on the proclamations? Commendations? They all look like they could be done shortly since Councilmember Chirco is doing three of them. I know she won't go on too long. And I understand we started a checklist for councilmembers to use for these commendations so they can go through the guidelines, think about it.

>> Yes.

>> Mayor Reed: Okay, I like to start seeing those checklists as part of the packet for the Rules Committee so we could see them. Anything else on page 2 or 3? Page 4 or 5?

>> Lee Price: Mr. Mayor, on the bottom of page 4 we may have different versions but the administration is recommending that we defer this item but we want to defer it to May the 25th. If your copy says March 25th, we apologize.

>> Mayor Reed: Anything else on page 4 or 5, page 6 or 7?

>> Lee Price: I'm sorry would you go back kindly to page 5?

>> Mayor Reed: Sure.

>> Lee Price: The administration is asking that we defer for one week to the 25th item 4.1. So actually we need to continue it. It's an already noticed public hearing.

>> Mayor Reed: That's to specify parking requirements for business destination areas?

>> Yes.

>> Mayor Reed: Okay. Anything else on 4 or 5? Page 6 or 7? We do have the completion of the general plan items on.

>> Excuse me mayor, one more note. Page 5 3.3 is the Public Works hearing on the operating budgets, proposed capital budgets and staff would like to hear these after the land use items if possible, we can talk about that next week but I just wanted to make that note.

>> Mayor Reed: That is to be set for the evening meeting.

>> Lee Price: Although we could notice it now to be heard last on the agenda for the evening meeting, since there maybe public that will be coming.

>> Mayor Reed: That's the capital budget and fees and charges. How much do we have in the way of land use? Not a lot it looks like.

>> I don't think it's going to be that long.

>> Mayor Reed: So let's just make it last, that way people will know. They're always welcome to come sit through the land use stuff, because I know it's entertaining for some, but they don't have to. Anything else on page 4 or 5? Page 6 or 7? Or 8 or 9? I have, let's see, a couple of requests for changes, one from the Vice Mayor to put on the evening session, a resolution supporting the bill of rights for children and youth developed by San José youth commission. And a commendation of the volunteers of Mormon helping hands day which will be in the afternoon.

>> Lee Price: And Mr. Mayor even though I don't have anything in writing I would ask that we put on the oath of office for two new youth commissioners for districts 2 and 4 for the evening. I don't have anything in writing. I'd just like to be able to go ahead and put that on the May 18th evening agenda so we can line the students up to be here for their oath.

>> Mayor Reed: Okay. Whether there's 2 or 5, that all takes the same amount of time because they do it all together.

>> Lee Price: Do it all together.

>> Mayor Reed: Good. Any else in the way of a decisions or changes?

>> Councilmember Constant: Motion to approve as amended.

>> Mayor Reed: Motion to approve as amended. All in favor, opposed, none opposed, Mr. Wall you wanted to speak about my reappointment to the Bay Area water supply and conservation authority. We aren't making that appointment here today, it's not on our agenda. That's a council decision. For whatever date we put it on. But you could speak to it during the open forum. Okay, but it will be on the council agenda. I don't know what date we put that on. The 18th or the 25th. The 11th? May 11th, if you want to speak to that. Our next item, redevelopment agency agenda for May 11th.

>> Mr. Mayor, members of the committee, the agency has no items set for May 11th. We'd recommend that the agency's afternoon session be cancelled, and if there are any items that are joint or in closed session we be there for that but not for the afternoon session.

>> Mayor Reed: Okay, we have a motion to cancel the afternoon portion of that. All in favor, opposed, none opposed, that's approved. May 18th redevelopment agency agenda.

>> Mr. Mayor, if I may, the agency doesn't have any items set for May 18th at this time, either, and we would come back next week if that meeting needs to be cancelled.

>> Mayor Reed: Okay. No, we won't cancel it until next week just in case something comes up. We'll just pass on that and deal with it next week. I think that completes the agendas for the next two meetings. Legislative update. Betsy Shotwell is here to talk about I think the federal update. The state update is bad news, the state is taking \$62 million, we got to write the check on May 10th, taking it right out of our affordable housing programs, thank you State of California but we will appeal and we hope to win ultimately, the real question is whether or not the judge will issue a stay pending the appeal, so we don't have to write the check to the state, because we know if we ever give the money to the state, you can't get it back. Because you can't make them do anything they don't want to do.

>> Betsy Shotwell: Thank you. Mr. Chair, members of the committee, Betsy Shotwell, Director of Intergovernmental Relations. You have before you your quarterly report update for the first two months of the year's activities by Patton Boggs, our lobbyist in Washington, D.C. on behalf of the city. As I always say, this time of year, it will be a long year. We won't know the results of a lot of these activities and issues until after the election. It will be during the lame duck period of Congress most likely. We probably will see appropriations in the defense and Homeland Security area before the end of the federal fiscal year. But most of the majority of the other measures will be concluded at the end of the year or early January which has been the case for the last three or four years as you know. I know you have a long agenda. I won't add a whole lot more but I'd certainly take any questions and or follow-up on any information. I do want to respond to Councilmember Pyle's inquiry she had a few weeks ago with regards to if there is any movement in the area, the VAT, the value-added tax, which is the national tax on products that is levied all the way to the point of purchase. I did check in with Patton Boggs and they said they didn't see any movement in that regard other than Senator McCain had a resolution recently in opposition which passed 85 to 13 in the senate. So don't see anything on that front. There will be a commission the president jump started to look at all these issues. Their report won't be until November, again after the election. And as I did a little reading after your inquiry and no surprise, there are concerns at that time state level with regards to any enactment of a national sales tax how that would be coupled onto a sales tax at the state level and of course all the other levels. They did a little analysis, they said to deal with our federal budget deficit issues you'd have to have about a 20% added which is what the

European countries have to deal with it. So at this point in time, there is no chance and then there are all the other issues out there in play as well as you know from fiscal reform, I should say financial reform and immigration, of course, and we just of course saw the results of the health care debate. And I should add that Patton Boggs has been working with human resources on some of the details of that measure. I -- it's an expertise that I don't have, but there's been some questions in this regard and it was reflected in the report too of their assistance with some of the interpretation of COBRA laws and others questions that have come up that Merrick is working with Heather Woods in HR. So that's all going on, as well as all these federal issues are coming into play. With that I'd be happy to answer any questions.

>> Mayor Reed: Questions, Nancy.

>> Councilmember Pyle: I just wanted to congratulate Patton Boggs for the fine job that they're doing. They have expanded their whole intensity and I think it's very well noted.

>> Betsy Shotwell: Thank you very much. I'll pass that on.

>> Mayor Reed: I had a couple of things to add in addition to the report in here about my trip, to Washington, whenever that was, in March. There's a list of people that we met with, at Patton and Boggs set that up so they've done a great job supporting our efforts. When I go back to meet with the administration and members of Congress, a couple of updates on a couple of items on here. One is, the federal courthouse, if the appropriations is approved, it's now been requested, they'll have about \$12 million to work with for site acquisition. And I did meet with the GSA when I was in Washington. I've talked to them since I've come back and they've continued to move ahead the courthouse project but there won't be a courthouse project until we have a site. It's pretty clear talking with members of Congress and the administration that until we have it sited and identified no one's going to appropriate enough money to begin the project. But with the \$12 million they'll have to work with they should be able to get a site. So I and my office are trying to work with them as they try to narrow down the sites that they can afford to buy that they can use to meet their criteria. So while that is a project that's been going on a very long time --

>> Betsy Shotwell: Yes.

>> Mayor Reed: We'll stay it because our federal judges have outgrown their existing courthouse which means they're getting higher on the priority list for funding but still got to have a site first. And a couple other things. I think that's the one that's not covered on the report. Good report. Thank you. Any other comments or questions about it? And I will note that I am not on the trip this week to Washington, a member of my staff is there with the Silicon Valley leadership group on issues we have in common, there are many of those. Anything else on the federal? Just need a motion to accept the report.

>> Councilmember Pyle: Move to approve, accept the report.

>> Councilmember Chirco: Second.

>> Mayor Reed: Motion to accept the report, all in favor, opposed, none opposed, that's approved.

>> Betsy Shotwell: Thank you very much.

>> Mayor Reed: Our next item of business is the public record, anything in the public record to pull for comments? Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. Two items on the public record. Item number C the letter from the San José water company. I wanted to know if it's possible that we -- how we can move this forward to have it better analyzed, whether it would be best to have a brief study session on it, would it be better to have it brought back to Rules with some basic work so we can ask more questions about it, or what would be the appropriate way for us to make some movement on this?

>> Mayor Reed: I think there's a spot in our budget study sessions over the next couple of weeks where we're looking at some of the things that are probably not going to work for this fiscal year but could for next year. This is one of the ones that's been on the list. That's probably the time to first get into discussion, since that's practically -- well, it would be next week, when we start the budget study sessions. That would be the quickest way.

>> Councilmember Constant: Okay, so I'd like to refer this to whatever the appropriate budget study session is. And then on item I which is a letter from Lafco, I just wanted to bring up on page 6 of 9 in the increased expenses is an item about workmen's compensation insurance for Lafco executives. I know Ed and I had a brief conversation about this a while back, I don't think we ever really closed the loop. This brings up an issue that I think we just need some clarity on for a couple of reasons. One, there was a lot of discussion with county counsel, regarding whether elected officials from other agencies that were appointed were covered by the commission that they serve on, whether it be regional, county or otherwise, for claims, or whether they would be covered by the City of San José, since they're acting in

their official capacity. And I think I got that answer from Ed. But I think it would be helpful if we had something that just clarifies it for us. But also, the legal counsel for Lafco brought up some significant concerns about commissioners who are paid stipends and their status in regards to workmen's compensation. We have commissioners on our retirement boards, on our Planning Commission, on our appeals hearing board, perhaps one or two others that could fall in the same category. So I would just feel more comfortable if our city attorney's office could work with the county counsel and the Lafco counsel to ensure that whatever we're doing, we're covered liability wise, whether we have a different opinion or not, just make sure we revisit it and have some basis to go forward in a way where we feel comfortable we've covered all the bases.

>> I'd be happy to provide you a memo. Would you like that in the form of an information memo, or actually agendize it for Rules discussion, how would you like that?

>> Councilmember Constant: I think an information memo would be fine, and then if anything particular pops up, we could agendize it for more thorough discussion.

>> Be happy to do that.

>> Councilmember Constant: So with that, I would make a motion for those two referrals, and note and file the rest.

>> Councilmember Pyle: Second.

>> Mayor Reed: Okay, we have a motion on the public record. All in favor, opposed, none opposed, that's approved. Mr. Wall, I think you wanted to speak on something on the public record.

>> David Wall: Yes.

>> Mayor Reed: Let's do it right now. Audit of the 513 fund. I think that's in there somewhere.

>> David Wall: That's correct, listed as item O as in ocean.

>> Mayor Reed: Okay.

>> David Wall: The letter speaks for itself but I do want to make certain that you're aware of it. The audit of the plan operating fund 513 with reference to the sewer service and use charge rate increase and structure is warranted. I would also include even though it's not included in this writing, that all funds that flow from the sewer service and use charge be part of that audit as well. Due to the fact that there's a lot of money being utilized on that fund that raises questions. Thank you.

>> Mayor Reed: Okay, anybody else want to speak on public record? That was the only card I had. That concludes the public record. We have no appointments to consider. First item then under our recommendations and approval category, our recommendations regarding feedback from the mayor's biennial ethics review panel, response from the elections commission regarding four issues referred to the panel.

>> Lisa Herrick: Good afternoon, Mr. Mayor, members of the committee, Lisa Herrick from the city attorney's office. I staff the elections commission, and I support the City Clerk, so together we brought these referrals from the ethics review that was heard by the council on December 15th to the elections commission, and also the ethics panel that had been assembled to look at some of these ethics ordinances and make some recommendations or help you make your recommendations, provide some input. So we do have a response from the elections commission. We had provided a memo from the ethics review panel earlier in April and so we do have all of the recommendations or really the response or feedback all together. And they're on four referrals. I can remind you what those referrals were. They relate to conflicts of interest that arise from family relationships, lobbyist registration and disclosures by nonprofits, public comment during orders of the day and then anonymous complaints that go to the elections commission. I can talk about the referral and the response from both of the bodies on all of these referrals or if you have a different way of hearing this, pulling out one thing in particular, and then setting aside some others up to the pleasure of the committee.

>> Mayor Reed: Okay, let me suggest a -- some things to do. Since I started this with my biennial ethics review memo, looking at the work that's been done by the two bodies, the first item, disclosure regarding conflicts of interest arising from family relationships, I think we're in a position where we do not need to amend council policy 0-32. Because the council has already approved some language which I think makes this discussion a moot point. When we did the sunshine -- the rest of the sunshine work. And I've lost track of the specific section that it's in. There you go, thank you. It's right there. Our sunshine ordinance section 5.3A under conflicts of interest says, among other things, to achieve greater transparency, councilmembers must also identify and disclose when even the appearance of a conflict might exist. That's in addition to the obligation to do whatever they have to do when there's an actual conflict. So I think that makes this, my suggestion, a moot point. And I think we can take no further action

on that one. The lobbyist registrations and disclosures by nonprofits, we have a couple of differing recommendations from both of those bodies. What I would like to have the staff do is to follow up a little bit on some of the other cities that have registration requirements for all nonprofits. Looking at the threshold which is one of the questions the elections commission suggested we should look at, see what thresholds they have and then see who registers in these other cities and whether or not there is a lot of nonprofits that have to register or not. Because threshold is an important question, whether it's ten hours or 20 hours or 40 hours I'd kind of like to know how it's working in some of these other cities. Some of them have very differently kind of thresholds but you think if we are going to take this up, we ought to know the impact of whatever threshold we pick, and that would be helpful before we make a decision on it to get additional information. The public comments during orders of the day, I think what the council has already approved in January with our rules of conduct pretty much answers the question on this item. And then the anonymous complaints to the elections commission, what I'd recommend we do is, we take the language that the council's already approved and then add to it the language that the elections commission suggested be added. And that would probably resolve that issue to everybody's satisfaction. I think the real work remains on this lobbyist registration and disclosure of nonprofits and I'm just not ready to make a decision on this until we see what's happened in other cities. Because most other cities require everyone to register. That's a recommendation from one of these other bodies I forget the elections commissions with a threshold.

>> Lisa Herrick: Correct, that's correct.

>> Mayor Reed: Any other comments from the councilmembers? I do have request from the public to speak, we'll certainly take that testimony but about any other -- okay. Let's take that at this time. Patricia Gardner James Zaretka and Ben Field all want to speak. Ben gets to go first, he's the closest.

>> Thank you, Mr. Mayor, members of the committee. My comments first of all are addressed to the process. I think that the elections commission and ethics panel did a very thorough job of reviewing the proposals and I very much appreciate their work as well as the staff's work on the subject. I want to focus on the proposal to have nonprofit employees register as lobbyists. I should say that at the very outset of this process, the mayor's ethics panel met, and there was no consensus there that this was a good idea and there hasn't been any consensus since then, that the proposal that was initially put forward was a good idea. In fact, every member of the public who has been to the ethics panel or the elections commission has opposed the proposal. The fact is that there is yet to be demonstrated a problem that needs to be solved. At the very first ethics panel meeting, more than one of the participants mentioned that this proposal seemed to be a solution in search of a problem. The problem if it exists at all is only one in theory. The solution, however, would certainly impose a heavy burden on nonprofits and that's not necessary at a time when nonprofits are already stretched so thin. Thank you.

>> Mayor Reed: Patricia Gardner and then James Zaretka.

>> I'm really not much taller than --

>> Mayor Reed: Squeeze it and let it go.

>> Thank you very much. The Silicon Valley council opposes the registration of lobbyists. We've checked with our other counterparts around the state and either, one, they don't have a lobbyist ordinance, or for those that are working in cities such as San Francisco and Sacramento, many of it is ignored. Because United States to the benefit of the milk, our mission is to improve the community good. We are not making a financial gain. I don't get a bonus if we change public smoking in parks. We don't get a financial gain for the mission that we have for organizations and nonprofits for generations have let social change and community involvement in our community. And we don't believe that that needs to be a registered activity, because it's the mission of our organizations to do that. And we receive no financial gain from that. We're already under IRS rulings relating to our lobbyist ordinances and what we can lobby and when we have to on our report. So we already have a lobbyist ordinance for nonprofits in the federal tax code. And so we're really encouraging you all to not incorporate nonprofits in your lobbyist ordinance and to use the existing laws that already exist and to allow us to participate in a community to the full participation of nonprofits who are activists in our community and actively working to improve the lives of many of our community members who don't have the ability or time to come to meetings such as this. So I thank you very much.

>> Mayor Reed: James Zaretka.

>> Good afternoon, James Zaretka with the law foundation of Silicon Valley. I echo the comments of the first two folks who just talked. I'll just also point out we have a letter from us, from last month. I just want to point out that three years ago, three councilmembers, the mayor, the Vice Mayor and now supervisor Cortese came out against requiring nonprofits to register. And I haven't seen articulated why in three

years that should -- what's happened in three years that requires that to be changed. So we would agree with the statements in the memo that came out in '07 that, because we are regulated under federal and state tax laws, and that folks in the city aren't interested in regulating us because we're not doing this for money. San Francisco does require nonprofits to register but only if they're getting paid for lobbying services. And as Patricia pointed out that's not the basis of our compensation. And L.A. only requires registration if the nonprofit is asking for resources for itself. Those activities you have to ask, if you are asking for funding for your organization, if you are talking about inclusionary housing things that a lot of us have spent a lot of time on, on behalf of the low income community who as Patricia said can't come to these meetings, it doesn't make any sense for us to spend our resources on that, for your staff to spend its resources looking in our reports, and for the community to lose out in the services that we'd be giving them if we weren't filling out paperwork. So we also encourage you to reject the election commission's proposal. Thanks.

>> Mayor Reed: Let me talk a little bit about why I think this is an important issue notwithstanding the comments that have been made. First, if we just follow the state and the federal regulations on lobbying ordinances and rely on that the people who won't know what's going on are the public, the people of San José. The purpose of the lobbying ordinance is to allow the public to know and better understand the relationship between its elected officials and any persons, including businesses, corporations, associations, political action committees or any other organizations that influence or attempt to influence city officials about alleviate or administrative actions of the city or the redevelopment agency. The whole point of this ordinance is to allow the public to know what's going on and the influence that people are bringing to bear on the decisions made by elected officials. We spend I think approximately \$36 million a year of funds that go to these organizations that don't want to register. \$36 million a year, that's almost 5% of our General Fund revenues. That is more than enough to keep all our community centers open, all of our libraries open in this next round of budget cuts. Those are serious dollars. The public has a right to know what influence is being brought to bear and that is one of the reasons why it is very significant. The other item is, purely a matter of whether or not people should be exempted from the ordinance just because they believe they're doing good. If you look at the people that have been engaged in lobbying activities over the last six months at the city council level you'll find there are more nonprofits who are doing more lobbying activity than probably as many as the other kinds of lobbyists. So there is enormous amount of lobbying activity that goes on under the guise of nonprofit organizations. So it is not insignificant. \$36 million is a huge amount of money and I think the public deserves a right to know what's going on and the registration requirements and that's why I've made my recommendation. Elections commission agreed in part and made a different recommendation but I'd like to get the information from these other cities, some of them were cited here today and I'd like to know what they are doing and who ultimately has to register and how it works in the real world before we decide to go forward or backward or side wards or whichever way we decide to go. Councilmember Constant.

>> Councilmember Constant: Mayor, I agree. I think what's important is the connection with money. And there are a lot of public funds as you mentioned and I think especially those organizations that receive the public dollars that come in and do the lobbying. I think it's important for the public to know not only if they're lobbying on behalf of that particular funding stream but also if an organization is receiving money from the City of San José, is lobbying for things that are outside of that area as well. So it's kind of a source and use of funds type of look. We heard mentioned that there was the state and the federal regulations but one of the problems of all there disclosure information is people being able to find it, even knowing where to look. Whether it's your 460 reports when you're running for elections or your DFR 1s or whatever they're called for us when we're fundraising or whatever the case may be, and if you take the average person, and ask them just to go find the required reports it's almost impossible for the average person to even know where to look. If you direct them right to the right Website page in the Clerk's office they can get the information but I think we need to do a better job on educating the public on where to look for this information. Because as you've already said, a couple of times, it is public money. And I can tell you that from a recipient point of view and I don't mean a recipient of the money but a recipient of the lobbying, the lobbying is much more intense actually from the nonprofit agencies than it is from the paid lobbyists at times. And I think it's important that people -- that the public, the general public really gets a clear view of that lobbying activity.

>> Mayor Reed: Any other comments? I'm going to suggest that we have staff continue to work on this and move all this together at one point, get it tobacco Rules Committee and after you have been able to

collect this information and we'll take it up and get it onto the council agenda when we have it figured out. Vice Mayor.

>> Councilmember Chirco: Yes, I'd like to hear what other cities are doing and how their program worked and to bring that information back. I don't know, if there's a motion appropriate for the three items you called out which was the conflict of interest which is already covered, public comment which is also in our sunshine, and the addition of that specific language in the anonymous complaints. And then to bring back what other cities are doing so we -- why recreate the wheel if there's some data already existing.

>> Mayor Reed: I take that as a motion?

>> Councilmember Chirco: Yes, that's a motion.

>> Councilmember Constant: Second the motion.

>> Mayor Reed: And just bring it all back at the same time.

>> Lisa Herrick: May 19th or 26th? Do you have a preference? In terms of workload?

>> Mayor Reed: August, speak of workload.

>> Lisa Herrick: For me?

>> Mayor Reed: For everybody who is working on budget.

>> Councilmember Constant: When would you like to come back?

>> Lisa Herrick: We can figure out how much time it takes to get the feedback that you're looking for. And I actually think we can probably come back on the 19th or the 26th, and so that's what we'll focus on. And if that doesn't work with what you need to do then we'll just put it over until it does.

>> Mayor Reed: Okay, you'll assess how much work there is and you'll figure out what date and we'll be noticed like the rest of the Rules stuff. We won't pick a date now, it will get on the agenda like we usually do so everything will have a chance to know it's moving. On that motion, all in favor, opposed, none opposed, that's approved. Taking us to the next item on the agenda which is a request from Councilmember Campos to expand the city's use of Internet filter technology to prohibit the mayor and councilmembers from accessing social networking sites from their computers on the dais during the city council meetings. I don't have anybody here that wants to speak on nap I believe I'd just like to note that I think the council already took this issue up and decided a few months ago about devices from the dais, cell phones, text messaging, we adopted some rules. So I think this is a point we've already dealt with and don't really need to do much else on. Councilmember Constant.

>> Councilmember Constant: Well, I have to tell you I kind of laughed when I read this one because I think it's kind of humorous, that we'd be having councilmembers trying to decide what other councilmembers do at that time dais. I think that with the fact that many people spend hours during the council meeting checking their e-mail, both city e-mail and personal e-mail that I see fairly regularly, this is a relatively small portion, especially when the social networking is a communication tool that at least a few councilmembers use very regularly to communicate with their constituents. And I'll say I, for example, regularly use social media to connect with my constituency. I have over 500 residents in my district who actually look forward to getting updates on votes that are controversial in the city. I think there's a way if you know how to manage your time and multitasking, that you can do these things in between agenda items as to still pay attention. I don't think I've ever caught myself not knowing what was going on in a council meeting or picking up the wrong set of notes and reading from them on an agenda item because of using a simple Internet technology. So I think unless the city were looking at just turning off the computers on the council dais and saying nobody's going to do anything but look up and pay attention, I think the voters clearly either have confidence or don't in their individual councilmembers. And that's who should be making determinations whether people are paying attention and doing their job. So I would make a motion just to not further this, and leave it here.

>> Mayor Reed: Judy.

>> Councilmember Chirco: Yeah, I -- I respect what Councilmember Campos is -- her intentions. I agree with the mayor that this has been addressed in the disclosure that we discussed from the dais. And I think the individual councilpeople have to make values judgment themselves. But I think the intent of this is not misplaced but I think it has been addressed in previous work done. So I don't know what kind of a motion is --

>> Mayor Reed: Just a motion to take no action.

>> Councilmember Chirco: Yeah, a motion to take no action has already been addressed.

>> Mayor Reed: Okay, so we have a motion on that. Further discussion? All in favor? Opposed, none opposed, all right, no action on that item. Next is item 3, recommendation from Councilmember Campos to approve reductions in mayor and city council's office budget, council General Fund, and to -- well, it's a

memorandum on the budget from Councilmember Campos. I'm not going to recite the whole thing. Just say we have a process for the budget starting budget sessions next week, we'll have a lot of memos from a lot of people of what to do in the budget. Ultimately the council will decide what to do about our council office budgets. That's appropriate discussion in the council process, and I'm not sure what date we'll discuss it in the budget study session. But it's all been noticed, and at the appropriate time. We have a budget process, and there's a memo out when budget documents are due, and so as the mayor I'm just going to treat this as another budget request like many, many others that we're going to get and have to decide over the next month. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. I agree. I think it really should be in context of the budget discussions. And I think that along with this there's a lot of other things where we need to critically analyze our 18th floor budgeting principles. I know that I've had memos out for I guess version 4 or publish date number 4 of the same memos will come out shortly in the budget process. I think the council offices need to abide by the rules that we put on all our departments and that is no rollover of unencumbered funds, having accountability for each individual council office line item in the budget, much like every department in the city has with the exception of ours, and quite frankly eliminating the council general fund so that there's truth and transparency in budget so people can see actually how much each council office spends, whether it be in constituent service or policy direction or advocacy or policy formulation. And that those common costs should be accounted for as they are in every other department in the city or in fact in the private sector where prorated costs are charged to each individual department. And I do think that those are all things that we should discuss in context with the budget discussions over the next several weeks.

>> Mayor Reed: Vice Mayor.

>> Councilmember Chirco: Yes. I think we should save our conversations until the budget study sessions. That can be put into a greater context, and I would make a motion to defer this to the budget study sessions that will be upcoming soon.

>> Councilmember Pyle: Second.

>> Mayor Reed: Motion to defer these to the budget study session. I've got people who want to speak on this item, there are a lot of them so I'll allow one minute per speaker. We've got to get out of here eventually. I'll just say that a week ago yesterday, the city council voted to impose contract terms on one of our bargaining units, savings of about \$400,000 that we can use as the council sees fit to restore some of the potential cuts that we're facing. There will be many more contracts in front of the council to impose or approve restrictions in salaries and benefits that have been negotiated. If we get those concessions, get those reductions, I know that restoring services to community centers and libraries are very high on everybody's list. But we need concessions in order to save the money in order to do that. And that will be discussed during the budget and people should be paying attention to the council agenda for when those come in for action. I'm going to call a couple of names. Please come on to the front so you're close to the microphone. Lisa fieldberg, Dave Gonzales. Again, only have time for one minute per speaker.

>> Hi, I'm Lisa fellberg, resident of District 3, and about six weeks' retired from city service after 26 years, 22 of those at the biblioteca Latinoamericana. And I am obviously not only in disbelief that our libraries may go to three day a week service, but really incredulous that in a neighborhood as needy as Guadalupe Washington the possibility exists of closing the youth center. The community fought long and hard to have that center built in November. We celebrated our ten year anniversary and our families and the library staff desperately need the support that the youth center provides, the counseling, the support, the cultural programs and I have no doubt that any money saved from closing the center will be doubled or tripled in police cost when our youth at risk and families have no alternative and I'd like to thank Nora Campos for her recommendation that we restore those services. Thank you.

>> Mayor Reed: Dave Gonzales and then Dennis, somebody's last name I can't read. Hagerty. Dennis Hagerty.

>> Yes, I'm Dave Gonzales and I'm from St. John Vianni pact, people acting in community together. And I'd like to speak in favor of the continued operation of the Alum Rock youth center. It is a model program. It serves low income, at-risk underserved youth who attend poor-performing schools and constantly face gang recruitment. The programs at this center have been very effective in improving youth's performance in the school and preventing them from joining criminal gangs. I support this effort by Councilmember Campos to agendize the continued funding of the six community centers, before the full council, because it gives there issue a high priority and keeps it front and center in the council's mind. I

think this proposal will lead to some very creative problem-solving towards keeping these centers open. Thank you.

>> Mayor Reed: Dennis Hagerty followed by Diana Wilkerson.

>> Thank you, Mr. Mayor. Dennis Hagerty, I'm also from St. John Vianni pact, represents about 50,000 citizens across the City of San José. I'm here in support of Councilmember Campos's proposal to fund and keep all youth centers open. And in particular, the Alum Rock youth center. As you know, budgets are -- we're all being squeezed. Schools are -- budgets are being cut, school days are possibly being curtailed, school years are being curtailed, extracurricular activities are being cut, and that means more kids on the street. As you know very well aware the influence of gangs are very strong in our communities. Witness the tragic stabbings on Halloween and the measured of a 19-year-old who happened to be a young man who attended the Alum Rock youth center was murdered two blocks from the center --

>> Mayor Reed: Your time is up. Diane Wilkerson and then Aron Carrerra.

>> Mayor Reed and committee members, thank you. On behalf of St. John Viene local organizing committee pact I'm here to support Nora Campos's proposal and especially to speak to the Alum Rock youth center. We worked on that center 12 years to get it built. And it would be a shame that you would -- that it would be closed. It would be more harmful for our kids. It is a safe place. And I think that's what you want for our young people. It's a center -- it's a model of collaboration between the city, the school and the community. And in addition, we, on -- I'm on the advisory board and we as an advisory board have worked hard to do fund raisers to keep programs running within that center. So I appreciate you at least considering Nora Campos's proposal.

>> Mayor Reed: Sorry your time is up. Aron carrera, David Wall.

>> Hi, mayor and committee. My name is Aron Carrera, I'm 18 years old and I'm here representing Washington Community Center today. I've been going to the youth center for seven years now. And they've actually helped me a lot and helped a lot of the kids in my community. I have been a victim of gang violence. I was stabbed two times three years ago so I know the services and the mentoring of the adults are really good for the community and the kids so I just hope that you guys keep on putting the Washington community center, and also the other community centers that help the other kids around because as you know a lot of the kids at the Washington center is closed they can't walk to Gardner because of the gang boundaries. All I got to say is please keep the kids safe. I'm not a youth anymore but I'm still going to be out there advocating for the youth because I care about them so thank you.

>> Mayor Reed: David Wall and then Alena Martinez.

>> David Wall: I don't have.

>> Mayor Reed: Okay, Alana Martinez and Carol Dominguez.

>> Good afternoon, Mayor Reed and the members of the committee. My name is Elana, and I'm a member of the Alma Community Center action committee. I'm 94 years old, and Mayor Reed, I'm the one the Mercury News warned you about. The group of us here today are concerned citizens that represent over 200 seniors and almost 100 youth that make up the soul of Alma community center. They provide activities for us, safe activities for the youth, and access a meeting place for families throughout the neighborhood. With so many -- so much energy and so many resources devoted towards building strong neighborhoods in the City of San José over the last decade, it is unbelievable that the city would consider closing and giving away those very centers that have helped build our community. We simply ask today that this item be sent to the full city council as soon as possible for a vote. And if there is funding that can be made available to save services at our center, we deserve to have those funds identified as soon as possible.

>> Mayor Reed: Sorry, your time is up.

>> Did you cut me off?

>> Mayor Reed: Yes, I did, your time is up.

>> Good-bye.

>> Mayor Reed: Carol Domez.

>> Thank you.

>> Mayor Reed and members of the committee, my name is Carolina, and I'm a member of the Alma community, I've been going to the Alum Rock community center for 20 years and I am going to be for me it is very simple. Alma is my second home. I know times are tough. I know decisions are difficult, but I've been around for a while, and I know that when there is a will, there is a way. Stop up for the higher risk

area, find ways of protecting our young, protecting our center, protecting your grandmas and grandpas, we ask today that this item be sent to the full city council as soon as possible for a vote. Thank you.

>> Mayor Reed: Reuben Solario, Francisco Alvarez.

>> Good afternoon, Mayor Reed and members of the city Rules Committee. My name is Reuben Solario, representing the Washington youth center operated by the Catholic charities of Santa Clara County. In a couple of weeks the council will have an opportunity to support the San José youth commission bill of rights. The youth commission bill of rights recommends that city council advocate that all children and youth have equal rights to live in a just moral and supportive society. This city's continued funding of Washington United youth center and the rest of the city's valuable centers is proof positive that the cities truly believe in the youth bill of rights not just the words on paper but the true enactment of providing the means to allow all of our youth to live in a just, moral, and supportive society. Thank you very much in advance for your support of our youth, and our City's community centers. Thank you.

>> Mayor Reed: Francisco Alvarez, Steve barrientos.

>> Speaking Spanish]

>> Mayor Reed and members of the committee, my name is Francisco and I'm part of the Alma action committee.

>> Spanish]

>> As part of the center I've seen how this center has changed all of our lives.

>> Spanish]

>> If it wasn't for this center I know that many of us would be at home.

>> Spanish]

>> Alone at home without company without a nutritious meal and without the happiness we have each day.

>> Spanish]

>> We are looking for solutions and we chose you guys as our electeds but you can help us find those solutions.

>> Spanish]

>> We elected you all because we knew that you guys were going to protect us and that you were going to protect the services that we need.

>> Spanish]

>> We know that today we're not going to find the solution to the entire problem, but today we have the opportunity to get a little bit closer.

>> Mayor Reed: Sorry your time is up. Muchas gracias. Steve Barrientos, Araya Molina.

>> Mr. Mayor and committee, I'm Steve Barrientos, vice president of Washington NAC and a member of Alma. We need to have Alma stay open for our seniors because of nutrition and because of the safe haven for our children. We are part of the triangle, the number 1 violent areas for gangs we need to have our youth alive we don't need them dead. I ask right now, today, if we can have full city council vote on this as soon as possible, it would be much appreciated. Thank you.

>> Mayor Reed: Moraya Molina, Tony Sensorino, approximately on the last name.

>> Mayor and committee, my name is Maraya and I'm a member of the Alma action committee. I have been going to Alma for the past eight years and it has become my second home. Our membership have worked closely with the city for more than 40 years to make a difference in the lives of our community and to make this center what it is today. I have volunteered countless hours but even that I have dedicated days and even nights to preparing for events I believe I have received even more than what I give. I'm a widow, and through these difficult times my Alma family has been there, through laughter and tears Alma has been there. I ask this item be sent to the full city council as soon as possible for a vote. Allow our councilmember and the entire council to consider this item. Thank you very much for your attention. Good night.

>> Mayor Reed: Tony Sensorino, Clark Zamora.

>> Mayor Reed and council, my name is Toni Sanseverino. And I have been coming to the center for 16 years and am part of the Alma action committee. The center plays an important role for us seniors as well as our youth. I wish you could get to know some of the kids that attend Alma. Right now they are in school but we want to share a few of their shots. Our kids said, one of the kids said that if Alma were to change, he would be home alone or on the streets getting into trouble because both of his parents work two jobs and can't be with him. Another kid expressed his interest to be a politician to get ahead. Alma is a stepping-stone for these kids. It is a safe place for them and it is a safe place for us. Today we are here

because we believe in transparency and openness. If there is funding that can be made available to save services at our center, we deserve to have those funds identified as soon as possible.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Clark Zamora followed by Augustine. Maybe it's Claire Zamora.

>> Claire Zamora. Good afternoon everybody, I've been going to the Alma center for five years. I had a back problem, I started going to Alma and it has brought me up up up. Thank you so much.

>> Mayor Reed: Augustine and Mary andretti.

>> I did it.

>> Mayor Reed: That's okay. We can fix it.

>> Thank you. Mayor and committee, my name is Augustine and I'm a member of Alma center committee, been part of the Alma center for the past four years. Through these years, the Alma Center has been a place where I come ready to meet my good friends, enjoy a great lunch and celebrate every month. For me it is quite simple. If not Alma, nowhere. I know the city has invested in our neighborhoods, have invested in building strong neighborhoods and safe city. Turning your backs on us will undo all the hard work you have already done. We need solutions, we need an identity as soon as possible. We ask today that this item be sent to full city council as soon as possible for your vote, thank you.

>> Mayor Reed: Mario andretti and Alisa Coff -- Ginsberg.

>> Hello, mayor and members of the committee. My name is Mary Ann Andratti and I sit on the advisory board for alum rock youth center. I'm here to ask that you support Councilmember Campos's proposal to fund youth centers through the budget savings because of many things that have already been said today, the number of our students, who use these youth centers, I know you have a mayor's gang task force. I would like to see us not need the mayor's gang task force and the only way to do that is to keep these community centers open. Because without that, if that happens, all these kids are going to be out in the street with nothing to do. And I, too, have talked with a lot of the youth and they're saying, what am I going to do if this center is not here? I'm going to be getting in troubling, I'm going to be following my friends because no one will be around to help me. We need these centers to stay open, and I urge you to put this on the council agenda.

>> Mayor Reed: Your time is up. Lisa Koff Ginsberg.

>> Good afternoon, Mayor Reed and councilmembers. I'm Alisa Koff Ginsberg with working partnerships, and I've had the privilege to work with the community budget working group the past few years where community workers are coming together to come up with innovative solutions to the budget. I'm concerned that in the mayor's opening remarks he referred to the city's very narrow scope and focus on ways to save these critical services. You've heard today the really important -- the really huge importance of these services. There are cities like San Francisco and counties like Santa Clara using innovative and flexible approaches, I urge you to think outside the box, to save these services. There is a better way.

>> Mayor Reed: Thank you, that concludes the public testimony. I had a couple of comments. First, there is a solution to this. The council has identified the solution. The council has directed the staff to seek 10% reductions in pay and benefits from all of our employees. If we get 10% pay and reductions from all our employees we can keep not only the community centers open, the libraries open, we won't have to lay off hundreds of police officers, firefighters librarians and other workers. That's the council direction but it does take a council majority to get there. And a week ago on Tuesday, the four members sitting here voted in favor of imposing concessions on one of the bargaining units that saved \$400,000. We are still many millions short but the people who work in the community centers are getting raises this year. We've asked for them to give some of that back in order to keep the community centers open. You need to talk to them. You need to talk to the councilmembers who don't support concessions because there's money, that is a solution, that is a solution that council has identified. And those decisions will be made over the next several council meetings. And you know this is not the place we're not making a decision today, we have a process, a budget process, we're going to make this decision. And you are -- you're welcome to attend. But you need to be talking to councilmembers who don't support imposing concessions, and you need to be talking to the employees unions. MEF which is the union for most of the people that work in our community centers and libraries, their contract is closed. They don't have to talk to us. Even though we're asking for 10% concession they don't have to agree to anything. It's up to them to talk to us. And that's a decision that they will make no matter what we ask. It's up to them. That's their decision. So talk to them, talk to the union leadership, talk to the other councilmembers. That's the way you can be the most effective because there is a solution. And Councilmember Constant.

>> Councilmember Constant: Thank you. It's my hope that in addition to the community centers that were mentioned here that we'll be able to keep community centers and libraries citywide open and all of our parks open and accessible during the week. But as the mayor said, the -- unfortunately some of these doors may have to be locked and I just want to reemphasize that the key to those locks are in the hands of our employees. And we have as the mayor said a way to solve this problem to restore services. I hope that we're able to save our services throughout our city. But really, with the process that we have, our hands sometimes are tied behind our back. And this is a one time where we really, really need people to step up to the plate and take those keys and unlock those doors. And as I mentioned those keys are in the hands of the employees so I urge them everyone who is listening, you heard the community and there's millions more people out there that have the same ideas and the same concerns about the neighborhood centers, the libraries and the parks in their neighborhoods. So I hope we are able to have these discussions and get the concessions that we need to keep these services available.

>> Mayor Reed: We have a motion to refer this to the budget process which is already started. We're having hearings starting on Monday I think is the first study session on the budget. Couple of study session evening hearings and the council will take votes which the people are asking for so on the motion, all in favor? Opposed none opposed, that's approved. Our next item is the approval of the airport competitiveness -- the work plan the airport competitiveness strategic plan we have a work plan and a recommendation for principles as well as the work plan. So I'll let Bill Sherry introduce this one.

>> Bill Sherry: Thank you, Mr. Mayor, committee members, my name is Bill Sherry director of aviation for the City of San José. You have before you staff report which is our work assessment plan to develop a strategic competitiveness plan.

>> Mayor Reed: Would you get the microphone a little bit closer bill?

>> Bill Sherry: Little closer, is that better? This is an outcome of the study session that we had on the airport competitiveness. It was recommended in the mayor's March budget message, and approved by council. What you have before you is essentially approving the work assessment plan which adopts certain principles for staff, guiding principles for staff to follow while we're developing the plan. No specific proposals are being recommended for approval at this point. This is simply just approving staff to move forward with the study and the research to come back to council. Either in the FY 10-11 budget and certain proposals are incorporated in that budget or individually throughout the next year, in anticipation to be able to incorporate all the proposals in the FY 11-12 budget. There are two items that have come up since our study session that I would like to bring to your attention. The first is during the study session, and subsequent to that, we recommended a target CPE, cost per emplaned passenger of \$15. We have been polling other U.S. airports, large hub, medium hub and small hub airports, and we have come to the conclusion that that target is too high. At \$15 we would be the most expensive airport in the nation. So we are revising that target down into the 11, \$12 range. We have lease targets in our lease agreements with the airlines and we think that those are more appropriate targets. That obviously places more pressure on us. If you look at the work assessment plan, there are a number of proposals in there. But the sum total of those proposals don't get us to the 11, \$12 target. So obviously the question to me is what else is needed? And I can't answer that at this point. So part of the motion, in moving this forward, I think you might also want to give me direction to find even more cuts. Part and parcel with that subsequent to the study session, we did find one other potential savings to terminate our lease on North First Street where we have the administrative offices for the airport and to consolidate the employees that are housed in that facility over in the airport. That was not an option for us years ago, when we had a larger organization. But with the reductions in personnel that is now an option. I do want to highlight, however, that in order to achieve that savings, which would be roughly about \$2 million a year, or 50 cents on the CPE, it does require us to expend some of the surplus capital dollars in order to outfit the vacant space in the terminals for us to be able to house employees in that location. I do not have a budget, but I would say it's probably in the order of magnitude of two to \$4 million. So with that, Mr. Mayor, I recommend approval, and moving this forward to the full council. I will also say that the airport commission has discussed this, and is scheduled to discuss it this coming Monday at their regular meeting. And it's on the agenda for discussion and possible action. So when this comes to the council, possibly in -- on the 25th of May, I will have the recommendation of the airport commission as well. And that concludes my comments.

>> Mayor Reed: Okay, let's just talk a little bit about the process and the timing. We have things that are going to happen, whether we like it or not. And July 1st is coming. So next year's budget we're dealing with starting next week. So the actions that need to be taken, as part of next year's budget process, are

going to move ahead on the budget schedule, and that is a piece of what we have to do over the next five years. But only the beginning steps. So whatever that is going to -- it will be part of the study session over the next couple of weeks and then will be approved as part of this year's budget. That of course doesn't get us anywhere near the end. But after we've done those items, which you've set up for this cycle, as I understand it, you've outlined quite a few more things that need to be evaluated and studied before they can be done. But the individual items, whatever they may be coming out of this plan would come back to the council, I suppose, as part of, here's the plan, everything we're going to do over the next five years, that's one possibility of how the plan could be laid out, or it could be laid out, here's the five year plan and these are the things we're going to do first and second and third and then we'll continue to work and do things and it's awfully hard to know everything that has to be done over five years. In either of these cases the council will be approving the individual actions in one form or another either in the budget process that's coming up or in a plan or in specific stand alone items sometime during the year when they need to be brought forward.

But you're not asking us to approve the five year plan or the actions in the five year plan today, we're just talking about the work plan to get there, that's the way I read this. Is that a fair assessment?

>> Bill Sherry: Yes.

>> Mayor Reed: I had a question that wasn't clear from here that I think's really important and that is how does increase in passenger activity figure in to these capacity? I know if we had a lot more passengers we'd have a lot less trouble meeting our numbers. The numbers you've cited, the 15 and the 11 or 12 dollars, which is practically impossible, do they assume any growth in passenger count?

>> Bill Sherry: Our forecast Mr. Mayor does anticipate a 3% growth. To give you the best analogy on the city budget, concessions from the employees would help layoffs and service cuts. Growth in passengers would help us reduce the need for these types of cuts.

>> Mayor Reed: So as you lay out the work plan we're going to assume some growth in passengers. So that takes us a little bit.

>> Bill Sherry: And I might point out that if that growth doesn't occur then the need for cuts grows.

>> Mayor Reed: So if we don't get the growth, that's negative, that's a bad thing. But if we get more growth, then there'll be less things that we have to do that we don't really want to do.

>> Bill Sherry: That's correct.

>> Mayor Reed: So we're all going to be praying for growth. Councilmember Pyle is going to be working on the economic development piece of this because that's in everybody's interest to get more passengers. That makes everything easier. But that is a big unknown. Other questions or comments on this, Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. Just a comment. Kind of thinking back to that study session we had where you presented all this, and kind of the little summary checklist I did at the end of what things we might -- we, and I use that as a very broad we, we might be able or willing to do, to fix the problem. And I think that we really have to as a council look at every one of these areas that Bill has pointed out to us when this comes back. Because I think we really have to address this. The last thing we want is that airport to be one of the padlocked city buildings like the community centers and libraries that we were talking about. So I think we really have to look at those things that we have the ability to change as a council, the policies that seem to have Bill's hands bound behind his back, and we're expecting him to fight this fight with his hands bound behind his back. I think we have to look at every single one of them and put everything that we can on the table that you've already done and all the rocks that you haven't overturned yet, we need to have every single tool available to us. And I think it's going to be critically important that we make sure that our CPE, I think that's what you call it.

>> Bill Sherry: CPE.

>> Councilmember Constant: Is not the highest in the nation. We have a hard-enough time attracting flights and keeping that airport busy. We need to do everything we can to be truly competitive. I know that when we're going to celebrate the grand opening on the 24th of June, I think it's a Thursday evening --

>> Bill Sherry: I think it is.

>> Councilmember Constant: -- I'll be there like any other people celebrating the opening and then on the 25th, I unfortunately have to drive to SFO to catch a flight because I couldn't get a flight out of our own airport to go where I need to go on the 25th. And as one of the city leaders I can't tell you how much that hurts to have to go up there to take a flight when we should be doing that out of our own airport. So I really wish you the best in this. I want to make the motion, with the additional recommendations that you

gave us verbally, and that is to look at the other factors to bring that cost down to a very competitive price point for us. And good luck, you're going to need it.

>> Bill Sherry: Thank you.

>> Councilmember Chirco: I would second that motion, with the caveat that the use of the excess unallocated T.A.I.P. bond funding also be brought to the table with the complete analysis. Now I know this is not funding that is available immediately, but if things are as Draconian as you say and you need to turn over every rock, I think that needs to be part of the discussion at council. And I notice it's under the options not recommended. So if we move that one above the line then I would second the motion.

>> Mayor Reed: I think we have to --

>> Bill Sherry: We have to. We have to.

>> Mayor Reed: It's not going to be the first thing we can do because of the timing but we can't take it off the table as a possibility.

>> Councilmember Chirco: Then I would second the motion.

>> Bill Sherry: And staff agrees with that.

>> Mayor Reed: Nancy.

>> Councilmember Pyle: I went to the Volaris opening last week. Which was great. I couldn't believe it, you had a Mexicana airplane, it is a Mexicana, yes, take off in the morning, and that was a full flight. And then Volaris opened for the first day, left packed. I mean, that was a packed airline. So if we continue that kind of pattern, I think things are going to pick up. I'll put a lot of faith in that, and faith in a lot of the other things that you've done to make this work, to make the airport work. I think you've done a stellar job.

>> Bill Sherry: Councilmember, I just want to point out we have record-setting load factors, meaning load factor being the number of passengers per flight. So it's not a question of the willingness of South Bay residents and businesses to fly out of San José. The problem is, we don't have enough flights, and that's what we've got to communicate to the airlines.

>> City Manager Figone: Bill, could you comment on how the United continental merger maybe factors into this? I know you're in a business that's changing regularly.

>> Bill Sherry: Yes, I -- we don't know how it's going to impact San José specifically. We're hoping the impacts are minimal. Because there's not a lot of duplication between United and continental at San José. So there's not a lot of opportunity for consolidation of flights at San José. So we're keeping our fingers crossed that we will fare well and well would be no loss of flights. What I think it does demonstrate is we have an industry that is in constant change. And the airlines, in order to try to obtain more dominance and better yields, are consolidating, merging and it's an ever changing environment, and highly competitive. And the airports that are going to succeed and the cities that are going to succeed are those that can offer the most efficient facilities at the best cost.

>> Mayor Reed: Well, we'll certainly have one of the most efficient facilities when we get done with the new terminal project. That's a huge asset in our favor. The cost is obviously a problem but having a great new terminal comfortable, convenient, safe with some of the best technology in the country, for the baggage screening, and that will save everybody money in the taxi time and let's not forget that if you fly out of San Francisco you'll be delayed by the weather every other time you fly, that is not true of San José. So we have all those advantages. So we've really got to focus on this cost item, which is unfortunately big enough problem for the airlines to overcome all of our advantages as we've seen. With that I think we'll take some public testimony. Ben Field and David Wall.

>> Lee Price: Mr. Mayor, if I might, while they are coming forward, could we just be clear that in the motion that you are referring this to the city council on May 25th?

>> Mayor Reed: The recommendation is to put on the council agenda the strategic planning principles, the date would be when?

>> May 25th.

>> Mayor Reed: May 25th. And the other is to approve the approach to the work plan with a return back to the Rules Committee by the fall of 2010 with the next status report, that's the motion.

>> Councilmember Constant: And the flexibility on the cost, the lower the CPE cost.

>> Mayor Reed: Knowing the target is down to 11 or \$12, the modification on the terminal area improvement funding bond stuff.

>> Bill Sherry: And to include the bonds.

>> Mayor Reed: Right, stays on the table. So that's the motion. Ben.

>> Thank you, Mr. Mayor, members of the committee.

>> Mayor Reed: Yeah, you're a little taller than some of the folks who spoke so get it up there.

>> Thank you, Mr. Mayor, members of the committee, I want to speak in favor of the friendly amendment offered by Vice Mayor Chirco. It is a good idea to take a look at the use of the excess funds that are available, the \$78.5 million may be used to reduce the CPE, and as I understand it, the primary objective here is to reduce the airport's CPE. The council clearly expressed its intention to look at all of the options for doing that during the study session. It appears to me that the ones that are highlighted in this memo are not all of the options that, in fact, the city council was more in favor of looking at using the excess funded balance than any other option, and certainly much more in favor of that than contracting out janitorial services which will have a very dramatic and detrimental impact on some of the city's workforce. So I urge city council to -- I urge you to explore that possibility very thoroughly. Thank you.

>> Mayor Reed: David Wall and then Cabedi Cabada.

>> David Wall: The use of the contingent \$78.5 million for anything but debt reduction is foolhardy. It is very foreseeable that passenger flow to the airport will continue to drop and then consolidation of the financial situation of the airport should be the mainstay. I do not fault the airport director and his staff at any juncture. I think the City of San José is well served by his employment and what has been done out at the airport. What is interest to me is the discussion of an airline consortium that could take over specific operating and maintenance functions. I suppose that is in regards to a possible default. My main issue here is, what happens in fiscal year 2012 and 13 -- no, excuse me, 2013 and 14, the \$58 million debt service. What is the implications if the airport does go into default, can't maintain its debt service and also, these are interest-only payments. At what point in time are there going to be principal payments to eliminate the debt? Thank you.

>> Mayor Reed: Cabidi Cava.

>> Thank you, mayor. I'm representing the San José taxi driver association.

>> Mayor Reed: Can you get just a little closer? Come a little closer.

>> I'm -- okay. Okay. I'm representing the San José taxi driver association. I'm not here to oppose the proposal of the addition director to get out of the crisis of the budget. But what scares us is the conclusion the aviation director's included at the end of his proposal, that the taxi -- airport taxi system has to be changed to the old concession system. You know very much how we have struggled to come through, and to get rid of the old closed concession system to represent airport permit system. So going back to that closed concession system means going back to a greater exploitation. So drivers do not need once to go back to that kind of system. They want to continue with everything working system now. If there is any help that we can do to solve the crisis of the budget, we are very happy to go to help. We increased our fees from \$240 to \$253 last time, to help the airport budget crisis. In other ways, if there is any load that can -- the airport can give to the taxi San José, taxi San José management is also ready to take that load to do the job for any state of the airport that taxi San José management are ready to do. We are also ready to help in this directions. We are generating about one -- over \$1 million that we give to the airport, we are not taking money from the airport. We are bringing money to the airport. We do not know why this suggestion is come forward as a crisis of our relation with the airport. Thank you.

>> Mayor Reed: Sorry your time is up. That concludes the public testimony. City Manager.

>> City Manager Figone: I just wanted to clarify one point and Bill can jump in here. Staff completely agrees when e-with everything that needs to be on the table. I think the reason Bill we're not recommending the excess unallocated T.A.I.P. when we wrote this memo was because the sweet spot for a CPE was \$15. Now that Bill has done his research and we need to lower that number, is why we would recommend keeping that option on the table. But I want to be clear this is not excess fund balance that is just sitting idly. It is debt capacity. And if it were used we would be issuing debt. So I just wanted to make that clear because of some of the statements referring to this as fund balance and it truly isn't a liquid fund balance. It's a debt capacity to issue more bonds into the future. So we agree it should be considered. We need to have all options on the table but it would be issuing debt.

>> Bill Sherry: That is exactly correct.

>> Mayor Reed: A couple of other questions. Restructuring the debt at different rates, we haven't even starting amortizing the debt yet. And I think there is restriction on how soon we could prepay or anything with the debt, and I forgot when that is.

>> Bill Sherry: We had two principal debt issuances that occurred in 2004 and 2007. Both have a 10-year call provision. Now, the 2007 issuance plus also the use of commercial paper, we have a wide variety of debt both in terms of what we're paying in principal and interest and that that we're paying interest-only. The \$78.5 million is moneys that we have already issued the debt on that we cannot refund until either 2014 or 2007. So if we were going to use the 78.5 million, we can't buy down the

principal. What we would be doing is using that money for debt service. And the intervening time between now and 2014. That's not a good use of that -- those funds, because you're using 20, 30, 40-year money for a one, two, three-year gain. So I think we want to keep it on the table but we want to use it as a course of last resort.

>> Mayor Reed: In 2014 could we use it to reduce the principal balance on the debt?

>> Bill Sherry: We could not use -- I think -- Terry Gomes my finance director is leer but that's two different bond issuances. The 78.5 would have to go to pay down the debt service ton 2007 issuance. So no, we could not use it to refinance or buy down the principal of the 2004 bond, is that correct?

>> Mayor Reed: But we could on the 2007 bond? So --

>> Bill Sherry: We could only pay debt service. It's not until 2017 that we can buy that principal down.

>> Mayor Reed: We're still going to be in trouble in 2017. So I think one of the alternatives, the best way to pay down debt is to pay down debt and while it may not happen until 2017, the airlines that are looking at our structure of how we're going to cope with this are going to look beyond the first three or four or five years. And so there's a place in there where it may be wise to use this money one way or the other. And I think you just got to do that analysis and figure out where it's best to use it one way or the other. But you also mentioned in your comments that how we use this, the airlines may not think is a good way to do it. Not fiscally prudent or whatever. And have to factor that into it. So I think the work needs to be done which is part of motion.

>> Bill Sherry: I think that's a very important point, mayor that the airlines are watching us over are our shoulders. They know what are the fiscally prudent moves and the not so fiscally prudent moves and they are looking at us to make wise choices.

>> Mayor Reed: Which we will, I'm sure. The motion is to -- I already described the motion. Further discussion on the motion? All in favor, post office, none opposed, that's approved. All right, we'll now turn to the annual financial scan of city funded community based organizations. I believe this is the first of the annual financial scans. Not the first scan, but the first of this catetory, if I'm --

>> Sharon Erickson: It is. Sharon Erickson, city auditor. This -- we're issuing this report in compliance with our fiscal year audit work plan and also in response to the Sunshine Reform Task Force's recommendation. The purpose of this report is to provide elected officials and city staff with information on the financial condition of community based organizations which I'll call CBOs that received significant city funding. It's based on CBOs audited year end financial statements not today's cash balance or this year's projected surplus or deficit. So what it provides you is historical background information. It does this graphically by giving you three-year charts, three-year trends of financials, fiscal years 2006-7 through 2008-09. These trends are included for 30 organizations, that city staff identified as having been awarded at least \$250,000 in city and/or redevelopment agency funding in '08-'09-10. The report let me say is informational. It's not meant to provide a complete explanation. All of the organization's financial condition or that the services they provide. It does not include performance measures. It does include financial information. If I could walk you through a few things just to show you how the report can be used, since it is informational. On page 3 of the report it gives a list. There are copies in the back if anybody needs a copy. The report I should also say is posted on the City Auditor's Website. On page 3 it gives the list of the 30 organizations that we reviewed, the total financial assistance to these organizations with \$34.5 million. There have been a number of efforts at transparency with nonprofits including the Sunshine Reform Task Force. We list some of those efforts on page 4, and then on page 6 you can see the results of some of that. It's a table showing that the 30 organizations, and whether or not they had posted their financial reports on their Website as of April of 2010. I did want to point out that one organization, our city forest, has since put their financials up on the Website. There is some discrepancies on whether or not these organizations are required to have audited financials. We did point that out in our report in that table in Exhibit 2 on page 6. It does list those organizations, whether or not they had financial reports or audited financials. Beginning on page 24 of the report, you can see the two-page financial scans. So these are two-page summaries for each of these organizations. They just give you the highlights. They include total assets and liabilities and their net worth, current assets and liabilities including their working capital. A comparison of cash, does the organization has cash in the bank as of the end of their fiscal year. So again it's a snapshot and then how does that compare to their average monthly expenses which is also, it's just an average. Some organizations can fluctuate dramatically. There's also a graph showing revenues and expenses and it shows of tells you whether or not the organization is in a surplus or deficit position. It gives you revenues by type, including the percent of funding from the City of San José. And then expenses by type including the percent of expenses for

program services. I just did want to point out that we also had in the front of the report, so I'm looking now at exhibit 4 on page 14, it walks you through the explanation of these different, we tried to put it in layperson's language. There's also a glossary in the back, to try and explain what these graphs mean, and how they could be interpreted, and also, for each one of these, a set of questions that you might want to ask. So the information in this report again, it's basic information coming off of the financial statements. There maybe many reasonable explanations for why an organization's financials are in one position or another. On exhibit 4 on page 14 it shows you the net worth of these 30 organizations. Of course your eye goes straight to the one in red. So there is one organization whose net worth is red. That's San José rep. That was as of the end of last fiscal year. On page 16, it shows the summary of working capital for these organizations. Four organizations were in the red there. So that's where their current assets and their current liabilities show that they are in the red. On page 19 you can begin to see the difficulty that some of our nonprofit partners are facing. Exhibit 9 on page 19 shows that 19 out of those 30 organizations were in a deficit position as of the end of '08-'09. I don't think any of us have an expectation that the situation has gotten better since then. And then finally, on page 21, exhibit 11, shows you what percent of the organization's revenues came from the City of San José. So it goes from a high of 87% to a low 1%. Any of the categories as I said previously can have, you may want to ask questions of the organization before you make any decisions about funding, or whether or not you have any cause for a concern. However we believe that making comparisons between these categories, from one year to the next, is useful in assessing the financial condition of these organizations. Again, this is -- this is in response to Sunshine Reform Task Force's recommendations that we make this information public. This report is purely informational. We come to no conclusion about any of the organizations in this report. I do want to thank all of them for their time and effort with us. They corresponded with us, provided financial reports, answered our questions. I also want to thank city staff who worked with us and proofread all of these numbers to make sure our assessment is correct and of course my staff as well. And with that I'd like to turn the mike over to Jeff Ruster for the administration's response.

>> Thank you, and first of all I do want to thank the City Auditor's office Sharon and her staff for taking on this very important and intensive undertaking. The financial scan is clearly a key component of the early warning system, underlying the whole nonprofit strategic engagement platform. The early warning system seeks to really identify nonprofits as we partner with them to really identify when they are entering and may have potential for operational or financial risk. The partnership that the city has with nonprofits represents at times a very critical aspect of our service delivery strategy. Nonprofits quite often have the connections with the community, underserved populations, specialized expertise and can often leverage our resources. In certain cases that is on the order of 50 cents for every dollar we give them in other cases it is much more than that, three, four, \$5 depending on the program and of course the nonprofit itself. Clearly this prolonged economic downturn has had impact on all aspects of our community, the private sector, the public sector, and the nonprofit sector as highlighted I think, on one of Sharon's tables has not been immune to this. The Silicon Valley Council of Nonprofits has recently updated their survey regarding the financial situation of nonprofits and again, many of them are facing layoffs and the whole situation around fundraising has not gotten any better since the previous year. And in many cases this has affected the financial stability of a good percentage of those organizations. It really is important to note that the financial scan is one key component of an overall monitoring and evaluation effort that the city staff does with its various nonprofits. Other key components clearly center around the programmatic performance of the organization, and their compliance with fiscal guidelines. As you will note in the city's response and as determined by the lead department, so there is a lead department for each one of the 30 organizations, we actually have lead departments for all 323 grantees now that we contracted with for the 30 here and that is put in -- that is attached as an annex to our suppose and attached to the City Auditor's report, for three of those organizations the lead departments deemed it necessary to provide additional information. In certain cases that was to further describe the planned or ongoing corrective action that the department had engaged in with the community based organizations and in one of the cases the emergency housing consortium for which the nonprofit's financials were about six to nine months old, the situation had actually improved as a result of the intervention that was entailed there to improve the financial situation of that organization. Through the nonprofit platform we're also very fortunate to have established very strong partnerships with technical assistance providers that at no cost to the city can provide a wide range of technical assistance to strategic nonprofits that we're working with. This includes organizations like score, Deloitte, the help trust, the nonprofit finance fund the United way effectiveness fund that provide a wide range of support from strategic planning to strengthening their boards developing

financial controls look at cost accounting practices and others. So again we kind of have a tool box of resources that at the department's discretion they can mobilize to work with the nonprofits that are, indeed, in financial problems. We will be holding a resource fair for the nonprofits that will be challenged by the financial situation. That is being organized by the Silicon Valley council of nonprofits and was the housing department really taking the lead that will be held at May 26th at the morning at the Work2Future location. Again also through Compass Point we will be holding a fund development training for the nonprofits in August where we'll be able to work with about 60 of the organizations that we currently contract with. And of course we will continue to use the QOBS organizational tool which is a tool which provides for a comprehensive exhaustive assessment of a variety of issues and characteristics of the nonprofit and serves as a basis for developing very targeted corrective action plans. In closing I just want to acknowledge also that again the Silicon Valley council of nonprofits, they have taken a leadership role in convening a collaborative of funders that includes representatives from the county, United Way, the health trust, other foundations, first five, and city departments, and really, the spirit there is to share information in a timely way and identifying means to really enhance and streamline our collective efforts as it relates to monitoring and evaluation of nonprofits. So again I'll close, representatives from the lead departments are here to the extent that you have any specific questions regarding the scan. Thank you.

>> Mayor Reed: Thank you. I've got a couple of people that want to speak on this. I think I'll take it now because one of them is Patricia Gardner who has been referred to, I'll take Patricia and David wall and we'll have some discussion.

>> Thank you very much. Patricia Gardner, Silicon Valley council of nonprofits. Sharon, I'm sorry I haven't called you but I really want to applaud you for your report. You've done an excellent job. We came here months ago to ask for extreme communication between the agencies, full disclosure of what was going to happen. I think the mayor referred to it as no gotcha moments and I want to applaud you that that did not happen. It's an excellent way in which the city has communicated with our nonprofits. You demonstrated an understanding of sometimes extreme complex nonprofit accounting systems. And we appreciate that work. Hats off to Sharon, her team, and to Jeff ruster and his team, for making sure that the communication was always open to provide an excellent report. I think it's important to note that nonprofits aren't immune to business climate and that's reported here, as well. But I think that there's good information here and you'll see that most of our nonprofits are strong. But just like every other business in town we are experiencing decreases in funding, decreases in staffing, et cetera. That's reported here. It's not surprising. It's just the facts. So I really appreciate your reporting of the facts. I want to, again, comment that Jeff mentioned the funders collaborative is doing an event on May 26th, and I'm really excited about that. In this SVSM leadership team we're really concerned about some agencies that maybe receiving significant cuts from the City of San José, either last year, or maybe even this year. And we went to the funders collaborative and asked them what could we do to sort of be proactive partners to make sure that agencies are getting ahead of that curve. And so Jeff is going to come and talk, his shop is going to come and talk about how you lay off staff, the nonprofit finance fund is going to talk about finance, the health trust will talk about their back office work, et cetera, et cetera. There will be a number of trainings in June, July and August that will be provided but I think that what we're trying to do is at least surround some of our agencies that are experiencing extreme cuts, look at how they might restructure and look at different business differently. I also want to thank the city for training your staff and for taking the lead last year in bringing Compass Point in to train the staffs of the departments that monitor. So I believe now everyone understands this report even the staff that are monitoring our agencies and will be able to use this as a guide. So I want to thank them for that. I guess my only comments beyond I think it's a well-done report is now what? And I think that that's not clear, in the report. And I know that's not your intent either. But it will be the intent of the council and I guess our question is, what will you do with this? Will this become a guidepost for monitoring, will you be sending any direction to staff? I mean, it's a report but the question is, and now what will you do with it? And so some of our agencies asked me today to ask you that question and so what will you do with this? And how will it be implemented and what would be the plan for either corrective actions for those that are showing very close margins on their cash flow? Or applause for those that are doing well? The question is, what will happen? And that's really my question to you. And then if anyone wants to join us on May 26th to give one on one help to nonprofits we'll be at Work2Future so thank you for that.

>> Mayor Reed: Thank you and thanks for your engagement on this to help us do this really big project and we'll come back to that question about what to do next. Mr. Wall.

>> David Wall: There's an inherent problem with the entire community based organization theory and it's an entitlement program. Entitlement insofar as it relies on taxpayer subsidies. Those are up to you. Personally, you don't have the money. And I think it should be very clear and poignant to the people who sit behind me that their chances of getting any money out of the City of San José are next to nil. I would also point forward that most of these allocations that are put forth in these rebuttal memo by the administration are from two entities in the City of San José. The two entities are the Office of Economic Development, which I'm on record previously and to date to eliminate them in their entirety, primarily out of incompetence. The other is the housing department which I also feel is an entity that has outgrown their needs and services and should also be eliminated. It is not part of what the city needs. But to have a self-help organization, to come in with this early warning system which I've testified before, where these people that are in positions of responsibility within these CBOs making nice salaries and benefits we're supposed to feel sorry for them? That they're not meeting their quotas or having their money or their fundraising and then creating staff within the city to help them out? No, that is unacceptable, shameful, and it goes to the issue to eliminate the Office of Economic Development. If not, at least make a resolution that they can't be in the same room with the auditor. Thank you.

>> Mayor Reed: Thank you, your time is up. That concludes the public testimony on this item. I'd like to come back and talk about the question about what do we do with this? But I have a couple of questions about a report, before we talk about what next. On the page 3, exhibit I or 1, I'm not sure if it's Roman or not, the funding of lead departments for organizations including in the scan, there's a category of below market lease value or estimated fair market value of rent. And I'm curious as to when that -- you calculate the value of the rent and when you don't. And how you divided up that criteria. So at the top we have Catholic charities. There is nothing in the column for below-market lease rent. I know they do the Washington community center, so there is real estate involved, so is that something that should be in there or not?

>> Sharon Erickson: I believe in the Catholic charities question -- and anybody can pop in here -- I believe it's included in the funds for operating and maintenance. I'm seeing some nods. Yes, in general, we tried to include everything we could in this table. It is still problematic to gather this information across the city.

>> Mayor Reed: Yes, we know about those problems.

>> Sharon Erickson: But I do believe we tried to include all of that. To the extent -- I do want to caveat. Each one of these organizations have a different external auditor. And those auditors may have different standards, everybody is operating under the same accounting standards but they may have different ways of reporting things. To the extent we could line things up, we did that. We are looking for ways that we can improve this report, if we continue to do it in the future.

>> Mayor Reed: Okay, Albert.

>> Albert Balagso: Yes, with respect to Washington United youth center, that is an operator agreement. That is not a grant to them, but rather, we are paying them to operate the facility, which is why it doesn't show up as a below market rate lease.

>> Mayor Reed: Then the same question about History San José, which has some below market lease. I know we have so many different ways we're doing this which is why --

>> Peter Jensen: Peter Jensen, they get that for free ops so this is the fair market value of that space.

>> Mayor Reed: Okay, so that is not the fair market value of the park that --

>> Peter Jensen: Correct, it's only the warehouse space.

>> Mayor Reed: Any other questions about the report before we go to the big question about what do we do with this? I'm interested in getting staff's perspective of what we should do next, and I think we should talk a little bit about what we were trying to accomplish when we started down the road because we had Sunshine Reform Task Force recommendations but we had lots of council interest in doing a couple of things, one is making sure we don't get surprised when organizations fail and then show up on our doorstep asking for an immediate bailout which has happened a few times. And that we get the opportunity for our staff to work with the organizations, to keep them from failing, so that they have a chance as well as us as councilmembers not being surprised. And I'm guessing, but that the process of doing this has forced everybody to work together, like it or not, in order to issue the report. So I think the first question is, whether or not the process of doing it's on an annual basis has value because of the fact that our staff is working with the nonprofits and we have a very good idea of how well they're performing just in the process of doing it. That's one category. The other category is the importance of the public being able to see the financial information for the nonprofits that are getting \$36 million or so of funding

and getting those reports published and having at least once a year where there's a public hearing where we can talk about those things. And those have value above and beyond just the report itself, although this is very interesting stuff, and there's probably other things staff might drop on that. So whoever wants to take it, Leslye wants to take it. Let Leslye take it.

>> Leslye Krutko: Leslye Krutko, director of housing. Jeff and I can tag team on staff response. I think it's a very, very good report. I think as Jeff said, it is one tool, however you need to know some background sometimes on what's happening with a nonprofit in order to put it in perspective. So I think it's something that we can use to guide us in comparing year-over-year what's happening with an organization and interpreting those financial statements. One of the things that we're doing, in the collaborative that was mentioned before by both Patricia and Jeff, is that we've established a report that all funders are going to require that nonprofits provide on a biannual basis. It's going to include similar information, it's not necessarily the same, and I think that's something we want to work with, with Sharon open to make sure she's happy with what we're collecting. Because I think it will help this report as well. Because it was quite an assignment, I think, to accomplish this report. So anyway, I think it's got valuable information. Again, I one example I think that there is is emergency housing consortium which because it used the year end data and we had our forbearance agreement that the council had approved, that was finalled and signed after the beginning of this time, and so now that's all settled and the financials are now in good shape, we did know that there were problems, and we were well on our way to correcting them. So that's what I'd like to say and Jeff may have more.

>> Yes, I think that's a good summary. What I would say is we went influence the 30 organizations, looked at the report that was contained for each one of those and they compared that and sat down with the different departments one by one and went through each organization with maybe one or two exceptions only, we were basically aware if there was a situation or not that required some type of intervention or increased oversight or monitoring of the financial situation. When that indeed was the case. Now that's not the case for some of these organizations. So I think it was a helpful tool in reaffirming staff's opinion of where the nonprofits stood at the time. And again, it's very helpful particularly at this point. Because as Patricia mentioned we are training the staff and their review of financial statements, but it's still capacity that we're building. So it will be able to really look to Sharon and her staff that have that expertise, was helpful in kind of reaffirming our overall assessment of the portfolio.

>> Mayor Reed: One of the things I'd like to do as part of this is let you have a couple of months to think about it after you've done the report and come back with some recommendations on the next report or what we do next after everybody has had a chance to see it digested. I think it's got good information in there but sometimes reports take a lot more effort than you appreciate when you open it up and say that's great having those graphs, I can flip through here and I can see who's spending most of their money on raising money, or who doesn't have any money, we've clearly identified those who are problems, and I'd much rather do it this way, than reading in the newspaper that they just closed the doors because they ran out of money and we didn't have the chance to do anything about it. But I would like at some point for this to come back to the Rules Committee with your assessment, including conversations with the nonprofits themselves about the value of it, how we might change it, whether or not we need to do all of this work every year, those kinds of things to assess the work on the investment. But it certainly is excellent work and excellent materials, but it's always good to reflect on it after you've done it once to see whether you want to do it exactly the same way again. Vice Mayor Chirco.

>> Councilmember Chirco: Yes, I remember when I first got on council that was a huge issue, nobody knew who was in what facility, and organizations would get multiple grants from different departments. There was no tracking of that, and I think this is really critical, it's probably even more critical to the city than to each of the nonprofits, because we begin to get a list of assets and liabilities where we have some accountability with our city funds, and how they're being expended. So I just -- I really love this. I remember during my first term, PRNS director was struggling to try and get a database and find out what kind of contracts we had and who was in what facilities and what the lease terms were or was there a lease and who paid what. So I really appreciated this data and I think it's critical to our staff as well as to the organizations.

>> Mayor Reed: How much of this is online, of your report Sharon? So I'm assuming that you'll post this online like you do all your reports.

>> Sharon Erickson: Yes, the report is online on the City Auditor's Website and linked to this Rules Committee meeting. This information is online and then the basic financial statements of the organizations or their financial reports if they didn't have audited financials are supposed to be on their

Websites. Now, we did find them. We said in here that sometimes hard to find on the organization's Websites, and we did gently remind people that it is important to make it easy for people to find stuff on your Website. But those basic financial statements that underlie all this is on the organizations' Websites as well.

>> Mayor Reed: And exhibit 6 page 2 you have links to their Websites.

>> Sharon Erickson: Yes.

>> Mayor Reed: If anybody goes to your Website, opens this up they can click on links or at least get the link to go to the Website or the organization. Are we down now to only one organization that hasn't posted financials somewhere?

>> Sharon Erickson: The, no, we have -- well only one hasn't posted financials somewhere. One had posted on a state Website, not on their own Website. There was only one that hadn't posted anything yet.

>> Mayor Reed: How do we encourage them to do that? We don't give them money until they've done it?

>> Sharon Erickson: Pathway -- yes, pathway has a Website.

>> Mayor Reed: So I mean I think that is an issue for us to take up when we're doing budget decisions that they're not posting their financial statements. I think maybe we even had some council discussion about making that a minimum requirement on some of the organizations that were in front of the council that they've got --

>> That is a requirement in the contract that it will be enforced as we move forward.

>> Mayor Reed: Okay, anything else on this? I think probably a motion to approve the report and ask staff to come back in a couple of months with reflections on it.

>> Move to approve.

>> Second.

>> Mayor Reed: The motion is to approve this, having the staff come back in a couple of months, by that I'm not thinking July, I'm thinking August. August will hopefully be a little bit quieter.

>> Councilmember Constant: You mean we can't have any special meetings in July?

>> Mayor Reed: No special meetings in July if we can avoid them. On the motion, all in favor, opposed, none opposed, that's approved. The last item on our agenda I believe is the open forum. Mr. Wall.

>> David Wall: I just want to take the time to thank each and every one of you and convey my thanks to the rest of your council contemporaries for putting up with me and for all the long hours that you put in and don't get thanked for. Thank you.

>> Mayor Reed: That includes the open forum, that concludes our meeting, we're adjourned.