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>> Mayor Reed: Good morning. I'd like to get our study session started. Hope you all enjoyed your bike-to-work day, bike ride in today. Mine was great. We have a quorum here, we'll get everybody collected and get started. Councilmember Constant is at a retirement board meeting, and I don't know who else might be at a retirement board meeting but we've got a quorum so we will move ahead. I don't think Vice Mayor Chirco will be here. We're going to do it a little bit differently this morning than planned, in the past we would have an overview on the capital budget and then rather than have presentations on each individual section, we'll open it up to council questions. That way we'll go to where the councilmembers really want to talk about things. I think we'll save some time that way. The one issue I see is Public Safety has a ceremony this morning that we'll want to get them out of here in time to get into the preparation for the police memorial ceremony. But I think we'll make good progress this morning, and if we make good enough progress we won't have to come back tomorrow morning. That's a little carrot there. Okay. So let's get started. I think -- I don't know if the City Manager is going to start sore Ed Shikada is going to start it.

>> Ed Shikada: Thank you, Mr. Mayor and members of the city council, Ed Shikada, Deputy City Manager. In light of the need to cover all of the basic issues that we want to mention to the council this morning, we'll give you a slightly more expanded overview than we've done in years past. So I'll lead off and then we'll turn it to Ken Lee, our capital budget coordinator in the City Manager's office to speak to the financial elements of the CIP, and then I'll proceed with discussion of the programmatic elements. So with that, Ken Lee.

>> Ken Lee, capital budget coordinator, City Manager's budget office. First off, the 2010-2014 CIP. The first slide shows the projects completed during the decade of investment. As you can see there's over 1300 projects over the ten years to be completed. So substantial investment the city has made over that time period. By way of organization the CIP is broken up into six city service areas and 14 capital programs. The largest of which are the parks and community services development airport and water pollution control capital programs. Taking those projects scheduled to be completed or completed during the decade of investment, broken out into city service areas, you'll notice transportation and aviation, and neighborhood services, makes up almost three quarters of the projects. So you've got substantial investment in parks and transportation and aviation infrastructure. On the next slide, in the context of the overall city budget, the proposed 2009-10 budget totals \$2.6 billion over 114 funds and 6500 employees. The capital portion of that represents 23% or \$715 million and 45 out of those 114 funds contribute to the capital program. Taking a look at the historical comparison, the 2010-2014 CIP totals approximately \$1.6 billion. That's down from about \$2.4 billion in last year's adopted budget. One thing to note, the proposed CIP does not include rebudgets of unexpended funds so when those occur in the adopted budget we'll be close to about \$2 billion. And that's slightly down from the earlier years on this slide because of the airport rephrasing of the master plan. Total 2014 sources of funds approximately \$1.6 billion, the largest of which are transfers between city funds. Almost half of the transfers are to our water pollution control plant to support infrastructure out there. And notably 5% of the transfers are from the General Fund to support apparatus replacement. The next largest category, beginning fund balance, represents a carryover of funds from this year to '9-10 to support projects. And notably, taxes, fees and charges, because of the current economic situation, is a shrinking slice of this pie represents 13%. So that includes a lot of the developer fees that storm sanitary, all the construction related taxes, because of the downturn in the economy, that has a significant impact on those revenues. On the next slide, the two largest construction related taxes, the building and structure construction tax and the construction excise tax, you'll notice in the dot-com boom we've totaled, we collected approximately 20 million per year. And that's fallen off considerably. In 2008-2009 we're projecting anywhere from 6 and a half to \$7 million. That's a significant decline compared to the boom years. Over the five-year CIP, we're projecting a slight increase up to 8 million in 2009-10, up to 10 to 11 million in the outyears. And one thing to note in this CIP we do have a proposal to update the Municipal Code revenues for the valuation tables used to collect these taxes. Those have become outdated so there's a proposal to update those revenues tables. On the next slide, construction and conveyance taxes, these are taxes collected from residential property resale. In the early -- in the late 1990s, early 2000 during the dot-com boom you'll see an increase to these taxes and a slight dip from the dot-com bust. And then in the early part of this decade what we call a Matterhorn of these taxes occurred. We reached collections of approximately \$49 million in 2005-2006 and for -- because of the housing slowdown in 2008-9 we're expecting a 62% drop from that peak level. So a considerable falloff. And some of the -- we are monitoring some of these taxes closely. Some of the recent data from the real estate market, days on the market have increased or continue to increase in March from 65 days up to 72 days, a 10% increase. New listings in March represented a slight decrease, to about 1400 or 14% decline year-over-year. Realities sales are significantly up because of the number of foreclosures occurring, up 58% to 621 in March. And the median home

price has fallen about 40%, down from 660,000 last March to about 412,000 this March. So a significant impact to the construction and conveyance tax revenues that support the CIP. The next slide, on a one-year basis the CIP totals \$715 million. And we'll take a look here. Our largest programs, airport, parks, water pollution control and traffic, in all the various areas that the dollars in the CIP supports. And I'll turn it over to Ed.

>> Ed Shikada: Okay, thank you, Ken. Turning to operations and maintenance, clearly a theme that's been highly relevant in the council's discussion of the upcoming budget as the capital program, in particular the bond related projects ultimately lead to increases operations and maintenance cost. This slide reflects the estimated operations and maintenance ongoing cost related to opening of the new facilities. Couple of things to note, with this year's CIP. One would be that this will be an implementation of the city council's new budget principle reflecting any new projects over \$100,000 of General Fund, O&M impact being part of the certification and part of the adoption. And second, that the scheduling of a number of the projects has been adjusted to reflect an attempt to minimize operating cost. So to detail that out, this slide, this information's in the CIP as well as in the budget message. To identify a number of specific projects, we've got nine specific bond projects that have had schedule adjustments, in order to address and minimize the timing of O&M expenses. The -- in particular, just looking at the bottom line, the schedule adjustments shown here will result in a savings for 9-10 of roughly 70 positions, and nearly \$2 million deferred for the General Fund. Next slide. Okay. Over the next few slides, we'll be hitting a number of key highlight, key themes in the CIP. The -- as noted, the deferral of operating expenses, the manner in which this program stimulates the economy, which a significant investment over the next year, and bond program, and will come back to unmet infrastructure needs and Green Vision. Next slide. So in terms of the bond projects and bond programs, this really -- this year reflects closing in on the completion of all three, the parks, library, and public safety bond programs, with a few key statistics shown here, and I would just focus in first with the case of the parks bond program. Roughly 90% of the construction funds now have been awarded and in the construction phase, in the case of the library program, 88% construction funds awarded, and the public safety bond program, 85. So again, very close to completion of the program. Next slide. In terms of performance measures, the -- and again, here, just to highlight a few in terms of on time, on budget, operations and maintenance, a survey that is done with maintenance staff postcompletion and opening of the facilities and customer service surveys. Just to hit a couple of points, in terms of the beyond -- excuse me -- in terms of the on-time performance, not quite meeting our performance goal. A few items to note here would be the adjustment of staffing resources, given that, as the programs are nearing completion, the depth of staff, basically staff availability has been thinned out such that some adjustments to schedules have been made. Council has adopted those on a case-by-case basis, but noting that that has been an ongoing issue. Also, since the bond programs in particular are dealing with many of the most complex projects in each of the programs, that additional time has been required for them. And finally, community outreach also being an ongoing issue. Second, in terms of the on budget -- I'm sorry just a couple more points here. In terms of on budget performance notes, the bright spot related to the economy resulting in lower bids has created a bit of an odd circumstance, in that the way that this performance measure is factored in, is the soft cost, staffing cost relative to total project cost. So as the total project costs go down with lower bids, the numerator, the soft costs associated with delivering projects becomes higher. So unfortunately, it results in a lower-than-targeted performance level. And then finally, just the operations and maintenance survey, to note that this is a work in progress, as it's been implemented with surveys of O&M staff. Okay, next slide. In terms of ongoing issues, as the council has discussed significantly over the last weeks and months, the recovery act, federal recovery act bringing a significant infusion of dollars to the capital program. This is also work in progress as much as the guidance and specific uses of the funds are still in the works. So staff is anticipating bringing forward a manager's budget addendum to reflect recommended dollar allocations for support cost. And then second, deferred maintenance and the infrastructure backlog also an ongoing theme of city council discussion, with the priority to addressing the infrastructure backlog, reflected in the number of the programs that we'll see and discuss later today. Other themes, Green Vision implementation, as council discussed and adopted our work plan for the upcoming year, two months ago, has been reflected in a number of the programs, including our building program, the trails, as a number of us were on this morning, and LED street lights and other energy efficiency improvements, and also, as noted earlier, that the bright spot of the economic challenge that we're all experiencing now being a very favorable bid climate for construction contracts. And with that, let's see, we are basically available to answer questions related both to the overview as well as prepared to get into the specifics of the individual programs. Back to you, Mr. Mayor.

>> Mayor Reed: Thank you. I think what I'd like to do is ask first if anybody has any specific questions for Public Safety, so that if we do, we get to make sure that Public Safety is here to answer them before they have to leave

for the preparation for the services. So let's start with that and then we'll take up everything else if that's okay with council. Councilmember Pyle, no question on Public Safety? Okay. Anybody with a Public Safety capital question? Okay. None, then everything else. Councilmember Pyle.

>> Councilmember Pyle: Okay, I won't re-light my light here. Thank you, and congratulations, Ed Shikada and your team, for such a wonderful job! This is great news! I came here expecting more bad news, and here's some good news! I thought it would be a good idea for perhaps all of us who send communications to our district to put in a pitch for home alterations at this time. Because it would certainly help quite a few people. It would help our city, the business community, it would be easier to schedule, there's low bids. And home alterations beat trying to move into another house. But I wanted to ask, in reference to slide 14, if we could go back to that one for a minute. There you go. Of the allocations that have already been made, we have 90 for park, that leaves, I would presume, ten that hasn't been awarded and library and Public Safety. So the 10, the 12%, the 15%, would those awarded percentages be enough to help save some jobs, basically? In other words, certainly jobs in the business community, are we thinking of allocating those as soon as possible and/or folding them into the American recovery act? Do they have to be treated separately, and choose anyone of those questions you like.

>> Ed Shikada: Gotcha. Okay, so perhaps in terms of a context, as council has experienced, the life cycle of any one of these capital projects does extend over years. And if we take any of the programs as an example, the projects are well underway. The funding here is restricted. So the -- while we definitely believe and certainly have seen that the capital funding, the capital dollars have a direct impact, positive impact on the economy, they are pretty well defined as to what those -- what those funds will be used for in terms of the initial planning, design and then ultimately construction. So those are the nature of the jobs that are provided. Although a certain level of material supplied and the like are involved. With respect to the recovery act, we have seen a couple of opportunities within the numerous programs that exist within the federal recovery act for some additional funds to be applied. We're still as an example waiting for guidance on the potential of fire station construction funding being allocated as part of the recovery act. So that would certainly help in the delivery of the Public Safety bond. And so our staff are monitoring that closely and we'll be bringing that forward as soon as available.

>> Councilmember Pyle: So this is the big question, in reference to the substation for the police. Can we use any of the recovery funds for that purpose? Since we did have a problem, but we were ripping along, people were employed, things were good. Is there any possibility that there could be an extension?

>> Ed Shikada: Sure, and I'll certainly open the door for either the Public Works department or the Police Department to comment. I think in general, where we are and the programs within the recovery act don't mesh very well. So we don't see much in terms of opportunities related to the construction. In terms of equipment, there may be a potential. But at the same time, from a timing standpoint, we'll need to take a look at how that might work.

>> Councilmember Pyle: Okay, thank you, appreciate that. Thanks for the good work.

>> Mayor Reed: Other questions? Councilmember Kalra I know had a question but he had to step out for a minute. Anybody else want to get in? I know it's a big book, with a lot of -- we're open for anything. Transportation, strategic support, Community and Economic Development, environment, utility services, neighborhood services, whatever questions people might have from any category. Councilmember Nguyen.

>> Councilmember Nguyen: Thank you, just a couple of quick questions. In regards to the developer-assisted projects, I'm looking at V-9. And I think it's the third bullet point down, they said due to the current slowdown in the local housing market, expenditures related to reimbursements to developers for both center-strip paving and street improvements for new development have decreased compared to the previous CIP. What exactly does that mean, does it look like streets improvements will be made, but we're just not reimbursing oops are they bidding homes with street improvements and then we'll deal with the rest of it at a later date when we have adequate funding?

>> Thank you. Tim Borden, deputy director of Public Works. What we call the residential construction tax contribution program, part of the developer assisted program, is a reimbursement to residential developers that happen to build improvements to large like arterial or major collector streets. So what we call center-strip paving

which is paving beyond 30 feet from the property line, because the street is so wide we say to make it more equitable, we have this program, where we reimburse them for those improvements. And so -- or if they build median islands, we reimburse them for that. So all that money, all those reimbursements come from a residential construction tax that is paid with every building permit. Obviously building permits are way down so that revenue is down. What that means is we will still commit to pay back developers as they build those improvements but it's really pay as fund are available. We tell them and notify them that they may not -- we have not had that occur yet but that could happen, we'll have to tell them to wait until we potentially get a new appropriation the following year, that's how that would work.

>> Councilmember Nguyen: But eventually they will get reimbursed once we have adequate funding?

>> That's correct.

>> Councilmember Nguyen: Another quick question. In regards to the neighborhood services, it states in here that a little bit over \$3 million, federal dollars have been earmarked for safety enhancement improvements for the Coyote Creek trail. Does that fund include trash pickup or litter pickup along the trail or is that for just safety improvements?

>> Thank you, Matt Cano, division manager, Parks, Recreation, and Neighborhood Services. That is a federal transportation funding that we received for construction -- design and construction only.

>> Councilmember Nguyen: Okay. And then last question is on the green initiatives. I know that, you know, our biggest focus is going green and trying to do -- implement a lot of green initiatives. Where are we in terms of the potential of receiving grants and state funding for some of our green initiatives?

>> Ed Shikada: We are very active in that area, in particularly with respect to the energy efficiency community -- energy efficiency conservation block grants. Staff is bringing forward recommendations for how to allocate \$8.8 million of federal recovery act funds. I believe that's scheduled to come to council early June. So there has quite a bit of work there. We are also looking at a number of opportunities for partnering with both other agencies and other entities for going after discretionary grants. In addition, we've got activity in a number of different areas. So there may be some others that are not coming to mind, but certainly in terms --

>> Councilmember Nguyen: So we are active --

>> Ed Shikada: -- of energy efficiency, those are the ones.

>> Councilmember Nguyen: Thank you, Ed. That's all, thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: My question is for Albert, you might be able to answer this. The question is on page 285. And it's regarding the proposed capital improvement project with the east side union high school district and the different C&C moneys. From the last discussion that I had with your team, from what I understood, that we were committed to \$535,000, and it looks like it was increased \$100,000. Am I missing something?

>> Albert Balagso: Yes, we had originally anticipated there being more money left in the SNI appropriation, into the six -- Eastside 680. There was money that was already expended. So it caused us to have to add additional funds in order to bridge that gap.

>> Councilmember Campos: Oh, so the money from the redevelopment had already been spent?

>> Albert Balagso: Right, right.

>> Councilmember Campos: So we needed to pull -- okay. That's fine, I just would have liked to have had an information memo so I wouldn't have had to ask this question. My other question, I'm not sure if this is in your department as well, Albert. But it has to do with Emma Prusch park, would that be your area, as well? I know that

we had a question regarding Emma Prusch park fund, and it looks like it was also dropped about \$100,000 as well. Have they started that work already? It went from 300 to about 231.

>> Albert Balagso: I'm sorry, I didn't hear the first part of the question.

>> Councilmember Campos: The Emma Prusch park fund, the balance in 2008 is -- yeah, the balance was 300, and it looks like it's now at -- going for next year in this budget at \$231,000. So there's another hundred. Did work start on that, or I'm just trying to understand what that money was spent for.

>> Matt Cano, division manager, Parks, Recreation, and Neighborhood Services. That is the one project that we had been working out there as a potential for a service yard. We have still been working with the community out there on the possibility of that project. But we have not proceeded with the construction. We're still in the planning stages and looking what's feasible and what isn't.

>> Councilmember Campos: And that's what that money would be for?

>> Well, we haven't actually spent that money.

>> Councilmember Campos: Oh, you haven't.

>> No.

>> Councilmember Campos: That's what you're proposing to spend?

>> The decrease in revenue -- I'm sorry?

>> Councilmember Campos: Are you proposing to spend more?

>> Not at this time.

>> Councilmember Campos: So that number might change?

>> On your change, I think it's just -- I can verify that, I can follow up with that. But I think it's just a decrease in revenues in the funds.

>> Councilmember Campos: Thank you. And I'm going to talk about trails. Are you in charge of trails, as well, Lower Silver Creek? Same question, it looks like in year 2009, to 2010, for the Lower Silver Creek trail, silver stone.

>> Councilmember, I'm sorry, could I ask you to note the page number that you're on.

>> Councilmember Campos: Page, absolutely, it's 333.

>> Ed Shikada: We found it, very good, thank you.

>> Councilmember Campos: Looks like you're proposing some money to be spent this coming year. Does that mean that the project will start? I'm just trying to understand, or is that just projections, I want to understand -- I mean, because if it's going to start, that's very good news.

>> Yes, thank you. We, on Page 346 actually is a detailed page for that project. We've left the budget the same for last year. And it is out to bid right now, and so we should be getting the bids in the next few weeks, and so we should be starting construction very soon on that.

>> Councilmember Campos: All right, thank you. Those are all my questions.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. In regards to the street maintenance and so on, how much -- and this is, I guess, one of my rookie questions -- how much flexibility is there in terms of specific needs or specific streets or areas of the district that have needs, I know there's a schedule, and that the maintenance is done, it goes over a several-year period, you try to hit the most roads, and I am curious as to the flexibility of that per council district.

>> Councilmember Kalra, Jim Ortbal, assistant director of transportation. In terms of our overall needs, we have a \$37 million annual need. Over the next two years we have about \$57 million. That includes the federal money, state money, and local money. When you look at a district by district situation, our -- the number of streets that we have in good condition are about 60% citywide. In terms of districts, it varies between about 55% to 65%, in good condition. So we would be happy to give you more detailed information on your particular district, but that's the essential overview.

>> Councilmember Kalra: Okay, yeah, that would be helpful I guess whenever you get a chance to do that. And I know even when it comes to roads it's not necessarily something you look at district by district. And someone driving down the street, and they happen to cross, they don't know if they're crossing from one council district to the other. But that entire strip may need -- you know, if someone is going from Santa Teresa and they're passing from District 2 to District 10, they don't care that they're going from District 2 to District 10, they just need the road fixed. But I think that just might get me a better sense, particularly with some of the neighborhood streets, whenever you get a chance, I can get that kind of district breakdown.

>> In terms of the arterial streets which very much cross districts, when we do maintenance on those, we try and have a continuous segment to try and, you know, take care of a section that is in bad shape, so that is an approach that we definitely use to try and cross districts and make sure we cover a long enough stretch of roadway so it's beneficial to the motorist.

>> Councilmember Kalra: The main one that we're still working on in District 2 is getting Monterey done. I know there are a number of differently factors involved there, with getting that one done. But that is a major issue and frankly, affects just as much -- a lot of the folks that live even in south county and so on, that use Monterey, and so there is a lot of traffic that comes up and down Monterey. It is a major thoroughfare getting out of the city.

>> Monterey is certainly an important roadway, and it does have some stretches that are in difficult condition. We have that on our backlog list, and we'll be looking at that over the next couple of years. We're evaluating that with the high speed rail project, as well, because there will be potentially significant changes on Monterey, as well. So that that certainly is on our list as a potential street.

>> Councilmember Kalra: Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. The question is regarding the Commodore children's park development. I understand we would have to have an amended mitigated negative declaration. What would be the time line for this project, if we are going to do a new conceptual plan?

>> Thank you. Matt Cano, Parks, Recreation and Neighborhood Services. The good news is, in this budget we are showing that project as fully funded. We have not set a specific schedule for construction and delivery of that project at this time, but we'll have to follow up on that.

>> Councilmember Chu: How long does it usually take for the conceptual plan to be approved?

>> If it's just conceptual plans, that would probably take about six months or so. But we do want to take a look at all the new parks that are proposed in this budget and the delivery schedules of those, and so we'll be getting back to council on that.

>> Councilmember Chu: Okay, thank you.

>> Mayor Reed: Councilmember Kalra, did you have some additional questions? I'm sorry.

>> Councilmember Kalra: Yes, thank you, mayor. In regards to the trails, and there is also the question in terms of how -- I'm looking at District 2 specific, and talks with Albertson Parkway which I think it's going along just fine, and I'm glad to see that finally happening. But the trails are something that I've spoken with Councilmember Pyle, as well as the Coyote Alamitos trail that is up in the Santa Teresa foothill area. And just as far as moving forward on that, just to make, you know, the issue of that one essentially is that people are using it right now. And the public is using it. But a lot of it is private land, and it's just a matter of getting legal status, for not so much an overall, and a huge amount of resources to develop it. And so moving forward, you know, what's the best way to prioritize that in this budget cycle, or at least with capital budget, or is that something that can at least be put as a priority in the 2010-14 time period?

>> Thanks for the question. We'd love to definitely talk through that with you a little bit more. Right now, per our trail prioritization process that we have approved by council, that project does rank fairly low because of the numerous hurdles to the feasibility of that construction. And there is no funding in the current budget to move forward with any efforts on that trail right now.

>> Councilmember Kalra: And is there any effort, as was mentioned, some the federal stimulus money for trails and so on, is there an opportunity to include that as part of the evaluation process?

>> We are definitely keeping our eyes open, working with the Department of Transportation on any opportunities for trail construction funding coming out of the stimulus. We haven't seen anything specifically for trails yet, but we are still keeping an eye out for that.

>> Councilmember Kalra: What about this trail makes it particularly cumbersome?

>> I think you hit the nail on the head. There is properties issues which is one thing. There's a number of properties that are intermixed along the trail, that we don't own, some we do, some the county owns. There's privacy issues, such as looking into the back yards of the homes, and in addition to that, the stability issues of the foothills is a major concern as far as the liability.

>> Councilmember Kalra: And I understand, I think that from the perspective of privacy on this trail, the location where people are using it is pretty far removed from the homes lower down below the foothill. But the -- I think ultimately the bottom line is people are using it anyway. And so it's a matter of proceeding in such a manner that makes it legal status, not making it a Cadillac of trails but just making it a legal trail and making sure all the fundamental safety measures are taken into account. And I think starting from that point is probably a better way to start than starting with some grand scheme of how we want, you know, like in Albertson parkway which is looking beautiful, but as opposed to starting like from there, starting with the basics just to make sure people who are using it can now be using it in the legal status. Because they are using it anyway. So that is kind of, I guess, the first step that I'd be interested in looking at, even as we speak, other sources of funding in terms of how we can leverage the funding to at least get something started there and the first step of course, I think it's just the legal status of it. Thank you.

>> Okay.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I just want to say how wonderful it is to see all of the projects that have been completed in our capital improvement program, the libraries, community centers all of those things that have been built successfully and look forward to some of the projects in my district being completed as well. I had a chance to enjoy a creek trail this morning, the Coyote creek trail which goes behind Los Lagos, Ed Shikada and I rode eight miles this morning on your ride your bike to work activity.

>> Mayor Reed: Way to go!

>> Councilmember Herrera: I encourage -- yeah, didn't quite make it from District 8. Next year I've issued a challenge to Ed, that we're going to do it from our District 8, which will add 6, 7 miles onto it. But I highly recommend anybody who hasn't tried the Coyote Creek trail bike ride behind Los Lagos, it's just incredibly beautiful. And it's relatively new. I think it's only been open a year, it's the first time I've ever been on it, but it's certainly not going to be the last. I'm going to get out there again. So for those watching at home, definitely get out there and try that trail. I had a couple of questions on trails. Can you discuss the Thompson creek channel stabilization project a little bit, and what's the status of that cooperative agreement with the Water District? And also, I understand the completion date is second quarter of 2010, is that accurate or --

>> Councilmember, Michael Connell, division manager, Public Works. The creek stabilization project there are two locations along Thompson creek where the flows in the creek tend to erode the banks, undercut the banks. In the southern location, there is a city pedestrian bridge over the trail, over the creek. And some of the erosion is impacting or potentially impacting the foundation. In the upper reaches of the creek, near Farnsworth, there is an asphalt pedestrian path, very close to an elementary school, and the channel was eroding adjacent to that path. Our attorneys and staff are working collaboratively with each other at the Water District and the city to execute this agreement, and the advantage to the city is that rather than spending many years with consultants, and permitting agencies, a more direct approach using the Water District's existing permit agreement allows the Water District to submit the desired design and, upon approval, they can complete the improvements with their own maintenance crews in the summer. We missed last summer and we're hoping that this summer both of those projects will advance.

>> Councilmember Herrera: That's wonderful. Does that then save us the money then too?

>> Yes it does.

>> Councilmember Herrera: How much are we saving on that, do you know?

>> The district has told us they put several million dollars into the coordination of their maintenance agreements over several years. So at a minimum I would think we're saving 2 or \$3 million.

>> Councilmember Herrera: Wonderful. I'll come back.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. I know every time this year we talk about the trails in each district. And there's only so many resources to go around. So I would say, you know at some point council might want to consider whether you know we have a ballot measure to raise revenue to procure more of the trails. Because -- the desire's there, we have them mapped out where we'd like to do them. But because of i.e., cost of property, special circumstances et cetera, they tend to take ten, 20, 30 years. And if you do want to speed it up and make it happen I think it should be a fiscal priority with us that's either done through a ballot measure for the residents to tax themselves or I don't remember ever going to the voters to -- for the bonds, for the golf courses and the Hayes mansion, so I think in the end these are probably more popular and might be something to consider later in the future. And I did make a comment to City Manager and Ed I think you were going to comment on the whole stimulus thing, all the residents ask and we as councilmembers constantly ask so one place to go so we're always on the same page.

>> Ed Shikada: Yes, thank you councilmember. We are working on a Web page that will be part of the City's Website. I don't think it's gone live yet, but it will shortly and provide basic information as well as specifics as to what the city is applying for and the status of programs. We're also doing that in a hard copy form that we would make available for community meetings and certainly distribute it to council offices. It will be, as noted, a work in progress but I think we can provide some basic info that will allow people to know where to go for further info.

>> Councilmember Oliverio: I think that would be great. Because it's the question comes up all the time and people want to know if we at least applied. And whether it comes to fruition or not is a very complicated and convoluted formula, it comes from the federal level. But I don't think there's a day that doesn't get by that I don't

get someone who sends an e-mail on a specific item of the stimulus that they saw some random news article, et cetera. So I think that's great. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. Takes me a couple of times to get it right. I'd like to begin with John Stufflebean if I might. And John, what kind of public art projects are usually created as part of sewer projects? Or is there public art?

>> John Stufflebean: John Stufflebean director of environmental services. My main answer to that question is that's not for me to decide. I'm not going to be deciding on what art is. But we have decided to and we did decide a couple of years ago to enter into the art program and allocate a certain amount of our capital from the treatment plant to art projects. We are looking for the artist to tell us what would work. But as the plant becomes more of a destination, and people go on tours there, and when we start making the point about the importance of environmental action and the Green Vision and so on, we're looking for some real striking pieces of art out in that area to help people understand that. The art at the Roosevelt Community Center, it would be similar to something like that where we demonstrate something environmental principles of the art is something I would like to see. We're still -- we haven't decided, and I won't decide, but there is some opportunity -- great opportunities to make some impacts with that.

>> Councilmember Pyle: Okay, so it would be right in front of the major building.

>> John Stufflebean: Yes.

>> Councilmember Pyle: Thank you, appreciate that. Neighborhood services, I think that would -- don't fight. Matt, you won, huh? Okay. First of all, I'd like to congratulate you because the percentages of projects completed within the baseline have just gone up every year, in fact, have gone up from 53% to 75% were on budget in 2008 and 9. So I just wondered what strategies you had in mind in order to meet the 90% goal that you have. It's a very aggressive goal. Within the -- within the next year or are you going to continue with that?

>> Are you looking -- Matt Cano, Parks, Recreation, and Neighborhood Services. Are you looking at page V-197?

>> Councilmember Pyle: Yeah, I am.

>> And the percentage of projects that are completed within the approved baseline budget?

>> Councilmember Pyle: Right.

>> One thing we want to do is continue to work with our Public Works partners on setting realistic budgets for projects. Based on the new economy, some bids have come in lower than they have in the past. But you never know. That may change in the future. But we want to continue to try and reach the 90% goal.

>> Councilmember Pyle: That's good. You haven't given up. That's wonderful. So your strategies, then, would be to take advantage of the fact that bids are most likely lower now, and proceed. Good. And then I had a question about the PDO-PDI -- PIO funds. \$21.7 million is not allocated, so the question is, what will become of the funds if they're not allocated within five years?

>> Thank you for that question. Is there a specific page number that --

>> Councilmember Pyle: You know --

>> I can give a general answer.

>> Councilmember Pyle: Just general is fine.

>> Right now if the funds are not allocated to a specific project within five years we do need to pay it back to the person who originally paid that impact fee. We're keeping very close track of that. Right now only about 13% of our funds are unallocated. It's about \$11 million and we do have -- we have our eye on those, most of those are only one to two years old. We will definitely be allocating them well before the five-year time line.

>> Councilmember Pyle: It is a use it or lose it situation.

>> Right.

>> Councilmember Pyle: Appreciate that. You have 8.3 million reserved for the creation of a soccer complex in '9-'10 and 16.4 for a softball complex. Can you give me some idea of where -- the status of those projects?

>> Sure, thank you. We are -- in December City Council approved a memorandum of understanding with the Eastside High School District, and as part of that MOU we are interested in working with them on a sports complex, probably at independence high school. So we are engaging in discussions with them right now for that potential complex.

>> Councilmember Pyle: Right, because once again, they can take advantage of bids being a little better than they normally are. That's good so that's it for neighborhood services and I just had one more for the capital budget, that would be you, Ed. On page 2, II-5. The maintenance rate is 73% for city buildings, as functional and sustainable after one year of use. Do you have any idea how this might compare to other cities? It's II-5.

>> Ed Shikada: Could you repeat the question?

>> Councilmember Pyle: The question is 73% of the buildings are functional and sustainable after one year of use. How does this compare with other cities or other projects?

>> Ed Shikada: I'm not sure we have a benchmark on this. The survey was developed as a -- effectively a home grown tool in order to try to gauge the operations and maintenance staff feedback. We've got engineers and architects and construction managers that build them but we wanted to make sure we have a mechanism to get feedback from the people who actually operate the facility after it's done.

>> Councilmember Pyle: I just wondered are there any areas that are frequently problematic?

>> Ed Shikada: I'm not aware of specifics so Dave or Katy you want to comment on that?

>> Katy Allen: Good morning, Katy Allen, Public Works director. There have been just to highlight some areas we're making improvements on. As we commission buildings we go through the systems and make sure they're up and running so the warrants are in place so we don't incur issues. As we go to efficient equipment that are certified, two things are happening. The first thing the folks that maintain and operate those systems, these are new pieces of equipment for them and so general services and Public Works work together to make sure that what we bring online is something they fully understand and there's that transition. Some of the performance measure might be an indication that this is new equipment that they may not be familiar with, but that's still an opportunity to, I think, take advantage of some of the efficiencies that we have in our new construction. On the other hand, certainly as we bring on all of these facilities, there's more work to be done from general services and ourselves, and so we work very closely in making sure that there's a good handoff if you will, there's a good transition. But I think the performance measures is an indication of the number of facilities and the new elements of the equipment.

>> Councilmember Pyle: Thank you. Appreciate that. And I just have one last thing. I just wanted to congratulate you going from 74 to 88% with your being on time, on budget, et cetera. So congratulations. And that's it for me.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Had another question on the trails, on Silver Creek and Thompson creek trail. And that's page 282. It's just trails funding, 2010 to 2014. What's the total budget needed to

complete these two trails? And I know we have -- I know we have funding to do more work on the Silver Creek trail. I don't see any funding lined up for Thompson creek and I know you've covered this probably before. But where do you see funding coming in for that?

>> Matt Cano, Parks, Recreation, and Neighborhood Services. We do have design funding from the park trust fund that we allocated last year for the design and construction documents from the Thompson creek trail from Tully to Aborn. We do not have any construction money identified yet, however, this is a very high priority for us moving forward, and it is a high priority project in our trail network based on our ranking criteria and could be a very good candidate for federal transportation funding. We've been hearing that there may be another federal transportation bill coming next year.

>> Councilmember Herrera: And what do you think the total -- what's the total budget to complete these?

>> I don't have that information but I can follow up with your office on that.

>> Councilmember Herrera: Okay, great. And that -- I have a question on the sanitary sewer capacity. V-46. What is the status of the phase 2 capacity study, and is there an estimated completion date, and have any -- staff identified any improvement projects on the east side of San José?

>> Tim Borden, deputy director of Public Works again. So we are beginning work on phase 2 of our condition assessment program right now. What that allows us to do is work through, do master planning for our system, find where there are capacity needs, so that we can program those into -- into our CIP. Also looks at major maintenance elements that are needed, prioritize those well. So it really allows for a much more strategic budgeting of those needs, both for capacity and for maintenance. For more efficient system. So that is -- that work is occurring right now, we anticipate, I think, it's approximately a year effort for this phase 2. It's a continuing effort, though. So this is really putting in place a lot of the systems processes to start tracking our system better.

>> Councilmember Herrera: And do we have any -- so there really isn't any specific improvement projects for East San José yet, I mean you wouldn't have anything identified yet?

>> There -- there are projects in -- on the Eastside in the CIP. I'll ask Mike O'Connell our division manager over that, maybe address those.

>> Yes, Mike O'Connell, Public Works. Most of the improvement projects tend to be spun out of appropriations, entitled miscellaneous rehabilitations, miscellaneous projects, INI infiltration reduction. I want to clarify that we have two initiatives going. We have our master planning capacity assessment which weaves together with the condition assessment. Sometimes when we're building a model for the capacity project, the computer model says we need a bigger pipe, we still need to couple that with the condition assessment. In some cases there is a sediment load in the pipe when if cleaned restores the capacity. Or there's a back water effect. The fact that our capacity phase 1 was completed several years ago and we're working on capacity phase 2 for the east and west basins and our condition assessment program which started this year those two are going to work together so that we streamline getting the projects from scoping to design to completion much faster. And I want to emphasize that the capacity flow model has to be maintained in order to be responsive to development, to be responsive to changing general plan initiatives, and the model is only as accurate as your calibration. And so every time the winter comes around we want to have our flow monitors in the ground so we capture a huge storm. Because the flow in the sanitary sewer system can dramatically increase during periods of extended rainfall. We also want flow monitors in the summer so we get our baseline dry weather flows. And our primary method of condition assessment is through remote video cameras. In some cases where the pipe is full all the time, we use a sonar device that actually goes in and maps the surface so we can see a pile of debris or we can see a lateral.

>> Councilmember Herrera: Okay.

>> Mayor Reed: I had a few questions. But first let me suggest that maybe the driver's training facility that we don't have quite enough money for, I don't know if that would qualify for stimulus funding based on the time available, but there is some specific funding for public safety in the stimulus package. I know we've got an

application in for a COPS grant and things like that but we ought to at least take a look at that and see if we can do it within the time frame if we've got money. I have a question about encumbrances. One of the suggestions we got from worker partnerships is that we liquidate encumbrances that have been around for quite some time. My guess is most of the encumbrances in the capital budget are not General Fund. But do you have any idea how much General Fund is encumbered as part of the capital budget and how would we figure that out in order to evaluate it?

>> Jennifer Maguire: Jennifer Maguire, budget director. We don't have that number available, but most of our capital budget we actually rebudget the projects. Maybe -- Kenley is reminding me, it may be in our fire apparatus area. But you're right, most of the capital budget is not -- it has general fund money towards it. As far as the working partnership's report that was just recently released this week, we are undergoing a thorough review of all the elements in that report, and Scott Johnson and myself and in conjunction with the Attorney's Office, and we hope to issue an MBA on the items that are suggested in that report. In approximately a week.

>> Mayor Reed: Okay, so if we looked at last year's rebudgets, all of those would have been encumbered, and not spent, because we rebudgeted them. But ultimately that is the list of everything that's encumbered? We don't have that yet for this year but can we look at last year's?

>> Jennifer Maguire: The rebudgets, if it's going to be encumbered, it is going to be for a contractual purpose. But we are going through the analysis right now for rebudgets for next fiscal year and either there's funds for last year that were carried over that have already been encumbered or there's encumbrances that would come under after we rebudgeted this fiscal year's savings. It is a every year process. We are trying to thoroughly analyze, I know the finance director, all funds, releasing funds and any funds that has money encumbered that's not necessary. And they've had a two-year project underway under that effort and are in the process of writing a policy to more actively release those funds citywide.

>> Mayor Reed: Okay. And I'm not perfectly sure that I understand what encumbrance means. I know that can be a term of art. So it can be encumbered even though we're not in contract with somebody to build something, if we're in contract I understand that. But sometimes we have projects that we fund a little bit this year and a little bit next year and we sort of save that money and build it up. Is that an encumbrance or is that some other category?

>> Jennifer Maguire: I think you're -- if we're reserving money for a project?

>> Mayor Reed: Right.

>> Jennifer Maguire: We would put those in restricted reserves and it would show in the budget as a reserve.

>> Mayor Reed: That's different than an encumbrance?

>> Jennifer Maguire: That's very different than an encumbrance.

>> Mayor Reed: Any other questions on any of the capital budget topic areas? This is the time because we're going to wrap this up this morning, I think. We won't be back tomorrow morning based on the time we have left here. I think we're going to make it. Anything to add, Ed, or Jennifer, as we roll this forward?

>> Ed Shikada: Well, I think the only thing I'd like to add is, a number of councilmembers have acknowledged work standpoint and clearly you have the leadership team here that's been responsible for delivering the hundreds, more than 1300 projects over the course of the last several years. So absolutely like to acknowledge their work and the work of the folks who work for them. As we discuss under the operating budget for the City Manager's office, would -- just a footnote, that with the upcoming proposed budget, does include the elimination of the capital improvement action team, the CIP action team within the City Manager's office so we'll be taking a back seat effectively with the Public Works Department taking a more visible role and bringing forward the overall program. So with that, we'd just like to thank the council for your support, and the work that staff has been doing on this, and look forward to reporting further.

>> Mayor Reed: Thank you, Ed. I would like to comment on the success of the capital improvement program. Over the over eight years that I've been here we did a massive amount of capital work, and it didn't go so well in the beginning. But the staff reorganized, figured out how to do it, and I think put together a program that is surpassed by no other city in the state or the country for the amount of projects we did, on time, on budget, a vast majority of them. And so the model that we used for that capital program is a great one. We have tremendous success, and you can see that in the numbers that are reflected on this. And now we're down to a measly \$700 million in our capital budget for the next year which, for most cities, that's a lot of money. But compared to the amount of money that we've had in our capital programs over the last six or eight years, it's shrinking. But we have done a huge amount of work that have benefited our neighborhoods in many, many ways. The staff and I know it's a very large group of people that deserve to be thanked. We can't thank them all this morning but I do want to collectively thank them for doing a great job. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you mayor. I wanted to echo your thanks, as well. Because I think I've lived in several major cities where large capital projects mean large capital headaches. And inevitably, there are every - you know every disaster under the sun and scandals and everything like that. And here we have had an enormous volume of capital projects by the standard of any size city and the fact that we've done it so effectively, so efficiently, so well is really remarkable. So thank you Ed, Katy, everybody who's been running the show. I wanted to also ask one follow-up question relating to a question I've asked probably. I've asked on various occasions, I was wondering how we're doing in terms of progress. We know that we have had an impact on our operating and maintenance budgets because of community centers, libraries and other important capital projects we have embarked on. But we've also talked about how capital projects can reduce those O&M costs for the city and things like LED lighting come to mind for instance. And Ed I was wondering if you had at this point any sense of what progress we might have made in terms of being able to formulate a package of capital improvement projects that we could go out to the capital markets for bond money, to be able to really reduce our O&M costs in our General Fund with targeted capital projects of various kinds. I know we talked about this in various contexts, and I'm wondering, are we at a point, anytime close to a point where we feel like we've got a package of those projects?

>> Ed Shikada: Thank you, councilmember. I think that the analysis that will be coming forward as part of the recovery act, energy efficiency package, advances some of that work. I don't think it's to the point of as you just described really having something that was big enough for its own financing package. But that said, I think we are making good progress in the effort, the Department of Transportation in particular has been very aggressive and a real leader in both the LED lights as well as overall landscaping re-- renovations in order to reduce O&M expenses. So I think that there's much of that work ongoing and so the work to package that together is also a body of work that we want to continue to work with the transportation and environment committee on.

>> Councilmember Liccardo: Okay, thanks Ed. I look forward to working to make that a reality of some kind in the coming months. I think we have to really play to our strengths right now and our strengths are, we've got a great bond rating, AAA, that we ought to be taking advantage of to help relieve some of this pressure on the General Fund, and I'd love to see how we can do it and really fulfill a lot of the objectives of the Green Vision and save a lot of money in the meantime. Thanks.

>> Mayor Reed: I think I have a request from the public to speak. Do I have any cards? All right, let's take that public testimony now. Forrest Williams and Dave Trueslow. I'll let Dave Trueslow go first, because he is closest and fastest.

>> Good morning, everyone, I'm Dave Trueslow. And thank you very much. First of all, appreciate all of the hard work that everyone's been putting in on this. I know it's not a happy time to be in government. I'm here because of a comment that I heard from our City Manager Tuesday. And coupled with some other research that I've been doing over the past several months. And she remarked about quality circles improvement efforts that are being undertaken by the city. Report isn't really good. For example, in the semi annual report by the City Auditor, we're growing, the problem is growing at the rate of four problems for every three that are addressed, not solved. On all of those 68 problems, there is no dollar savings. So how do you know what to work on? Mayor was quoted in the April 9th issue of the mercury about working on the workmen's compensation for years. It was first reported in 2006, three years later, you know, we're a lot -- spending a lot more money than the county. I can go on and on and on. But these improvement efforts just don't seem to be working. I did another test as well. I walked around,

talked to some city employees about their effort in quality circles, improvement efforts, quality teams. I get a deer in the headlights response. So it doesn't seem to be working at the level that we need to to make a significant dent in our budget. How much could that be? Well, if you benchmark the effort by industry, by government, the Gore commission, the Grace Commission collectively, came up with over \$500 billion in savings. Companies have been doing this with six sigma for a number of years. And their numbers built up to measure collectively, but over a trillion is the low end of this. Typically you can reduce your budget by at least 10% in 12 months with a concerted effort. And for this reason, Phil Crosby and other authorities say, this is a free -- this is free money. And it doesn't necessarily lay off people. Yes, sir.

>> Mayor Reed: I'm sorry your time is up but if you have something in writing, I'd love to see it. If you will send it to us we'll circulate it to the council. Councilmember Williams.

>> Forrest Williams: Good morning mayor and councilmembers. Good to see you. I come with no complaints. [Laughter]

>> Mayor Reed: Did you ride your bicycle today?

>> I come to encourage you and to understand the situation that you're in today. You've got to make some difficult decisions. And I have some of that experience. And I know you will do the right thing. Staff has done a great job in terms of delivering to the community the kinds of capital programs or projects that the community needs, and rely on for their quality of life. And I'm sure that with all that you have in you, those types of efforts will continue based on the resources that are available. So I applaud you for that work. The other thing that I wanted to say was that I want to thank you for considering the recommendation made by community budget working group. We don't have all the solutions. We know that if everything that we recommended was implemented, you would still have a significant amount of budget adjustment as a result of that. So I just wanted to take that time to thank you for that, we want to work together to try to solve the problems. It's going to take all of us, the synergy and creativity and innovation of all of us to handle and deal with these problems, because it's going to get worse. So this is just a pause for that refreshing, and then you got to jump in again. So thank you for your work and look forward to a successful budget. Thank you.

>> Mayor Reed: Thank you. Any other member of the public want to speak on the budget? Now's the time. Come on down.

>> Good morning. My name is Martin Delsom. I'm one of three people, we tried to schedule ourselves here. But I'm the only one here now, because you're running a little bit ahead of schedule. But since I'm the only one, I'll open my plea, and that is for funds to be allocated for the purchase of land for what is called in the capital budget the Willow Glen spur trail, otherwise known as the three creeks trail. I want to urge -- the funds are already allocated in the capital budget. But it's important that the land be purchased before the railroad sells this land to developers. Mr. Mayor, and councilmembers, you'll be hearing very many urgent requests for funds these days in the next several days. And I'm convinced that many of these requests are very important. But I'm here to ask that the money for this particular trail segment not be diverted to other causes. If you look at maps of the city proposed trail network there's a great set of trails running north-south along the creeks. But there's only one trail that's already existing and that's at 237, at the very far north end of the city that connects east-west, and there's another planned trail along the Alamosa canal, people were talking about that a bit earlier. But there's nothing in the middle of the city other than the planned connection with the Willow Glen spur trail or three creeks trail. Money will be available from other organizations, namely from the open space authority, the Water District, from VTA, from Santa Clara County, Santa Clara County parks, also this California proposition 80 money. But although many of these funds are available only when the city will show specific plans for these trails. So I would like to urge that the city not divert these funds but use the funds that are already allocated to purchase land from the railroad before it's sold to developers and to develop the plans for the trail. Thank you very much.

>> Mayor Reed: Anybody else? Okay, that concludes the public testimony in this section. Anything else from the council? This will be the conclusion of the capital budget study sessions. So we will not meet tomorrow. And it's really going to break your hearts. [Laughter]

>> Mayor Reed: But just the way it is. You'll have to find something else to do with your time tomorrow morning. So we are adjourned.