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>> Mayor Reed: You should be getting a picture. Good morning, I'd like to call this meeting to order. This is the continuation of the saga of the budget, few hours into it, got a few more hours to go. This morning we are going to pick up with our strategic support CSA. And I'm not sure who's going to take the lead on it. I think Mark Danaj is going to start this. So let's turn it over to mark.

>> Mark Danaj: Thank you, Mr. Mayor, members of council. Mark Danaj, director of human resources and team lead for the strategic support CSA. I'm joined by my colleague, Scott Johnson, director of finance, Steve Ferguson, our CIO, Peter Jensen, our Director of General Services, and Katy Allen, our Director of Public Works. We are the strategic support CSA. We have five outcomes from a high-performing work force to safe and functional public infrastructure, the effective use of technology and sound fiscal management. The next two slides identify the six departments and the 16 core services, that the strategic support CSA is responsible for. Like other CSAs, one measure of the impact of the proposed budget is the significant level of reduction of FTEs to the CSA going to 851 to 721. This is a reduction of 130 FTEs and a 15% reduction to our workforce. These reductions are serious, especially in light of previous year reductions. As our Budget Director, Jennifer Maguire, shared with you on Monday, the strategic support CSA has already endured significant cuts in previous budget balancing efforts as we've tried to mitigate the impact on direct services to residents in previous fiscal years. As we contemplated our budgets work this we're we focused on these questions and principles. First we wrestled with the fact of -- we wrestled with the fact that much of what we do is a reflection of the fact that the City of San José is a municipal corporate entity. That is to say basic investments in human resource management financial management and systems it's infrastructure and capital improvements and maintenance are essential building blocks of a corporate entity. Much of what we do as a CSA is also mandated by federal law, the city charter and the Muni code. And as difficult as it is to contemplate a 1000 FTE reduction for our organization, the challenge for our CSA is that in many ways the reduction will not have an appreciable impact on the demand for our services. Whether we are a 7500 or 6500 FTE organization next fiscal year, there is little change to the level of strategic support services necessary to support the corporate organization. We still need the basic investments that exist in human resource management, in maintaining the City's investment funds or bond program or I.T. infrastructure just to name a few. Secondly we look forward in visioning what our organization may look like next fiscal year and beyond as a means of informing our difficult budget choices. For example we look to the neighborhood services and public safety CSAs for their proposals to better inform our choices and recommendations. Thirdly we looked at not just doing with less but also doing it differently. For example, last year we instituted a new HR model which not only saved \$1 million but also fundamentally changes the delivery of those key services. You'll find throughout our organization this year a continuation of similar streamlining, realignment, and consolidation activities. Lastly, we looked carefully at the tradeoffs between the inherent risks that are inherent in many of these proposals and the dollars that would be saved by doing things differently or not at all. Having answered those tough questions and conducted our analysis we arrived at the difficult choices that make up our budget proposals. They fall under these three categories and a fourth on the second slide. From service delivery model changes such as custodial services to streamlining and efficiencies in vehicle replacement, and then a whole host of service reductions including fleet and facilities maintenance, a roll back of the strategic budget add from just a few years ago to the administration of workers compensation, reduction in cash management operations, a difficult but strategic cuts in employee training, and reductions in purchasing and procurement card oversight. Lastly we also included alignments and consolidations such as warehouse and central service consolidations, aligning our capital program and its resources, and lastly in an enterprise information technology consolidation proposal. Like other CSAs we have additional reductions listed under tier 2. While it might go without saying, I'd like to underscore the reasons they are here, as opposed to tier 1, even though they are strategic support items, is because the administration believes that some of these additional cuts to core strategic support services will put the organization at enhanced risk that is not warranted even given the difficult decisions that need to be made with service delivery reductions. On a final note as the council considers unprecedented challenges to service reductions, I want to tangibly underscore for you the role strategic support plays in city operations. In many ways we're part and parcel of the very service delivery you choose to fund. For every librarian, police officer, or firefighter you choose to field, there are essential services and employees making the very existence of those employees possible. Resources are still needed to hire the best, to train and develop, to administer the benefits, to care for the work-related injuries, to administer payroll, to deploy and maintain an I.T. infrastructure so they can be as efficient as possible, to adequately and cost effectively procure the equipment and support services for those employees, to improve and maintain capital and equipment and to keep the field -- the fleet operational and in the field. In short we are an essential part of every librarian, police officer, firefighter and every service the city chooses to provide to its residents. The budget proposals for the strategic support CSA are not timid, in fact they are

bold and dramatic and represent our best collective judgment of what can be done in these trying times without putting the organization at tremendous risk. Before we conclude and move to your questions, I want to turn it over to Peter Jensen, our general services director, for a brief presentation on a topic of interest to the council, asset management.

>> Peter Jensen: Thank you, mark. Wanted to show you just a couple of quick slides, Mark's got control of the clicker, so to speak. The -- just wanted to show you where we are this year. I'm happy to tell that you we have beaten our revenue estimate by about half million dollars in the current year, and this is for sales, building leases and telecommunications lease. Other things that we've accomplished during this fiscal year. We continue to work through installer properties that have been declared surplus by the council. We'll be bringing to you ordinance and policy changes to streamline our processes. That will be coming next month. And we made a number of improvements in terms of our lease management in response to our audit of CBOs. The mayor's March budget message provided direction on four major pieces of property that the council is interested in. I wanted to run you through status on each of these. We are working actively on all of them. But we expect that this work, because of the complexity of each, is likely to be preparatory during 2010-2011, in order to try to set up budget solutions for 11-12. That sets really the goal of these. So quickly, the Hayes mansion, we're going to be undertaking an analysis of various use options and what their value might be, from the current use to assisted living, senior community, general residential, office and retail, all of those kinds of uses we will be analyzing. Council should realize that there is a substantial debt obligation at the Hayes, and that is going to have to factor into the decision. On the Municipal Water System, we have received a letter from San José Water that outlines options for either sale or lease of the municipal water system. The manager's office will be leading that effort. Ed Shikada has more details on it if the council has questions. On Rancho Del Pueblo golf course, we're working at two different areas. One is we're in the midst of a study evaluation for residential uses for all or part of the course. So trying to get the values for that and be able to put that in front of the council and we've also had a preliminary conversation in termination of whether there are public-private partnership options at the golf course. Finally on the E lot we've completed evaluation of that site. There's quite a bit of interest in it. It is so tied to our conversations with the county on former City Hall. Because there may be need for some portion or all of the E lot. So we're wanting to work our way through the county conversations first before we move forward on E lot. We will provide MBAs for the council on all of these to get into into more detail but wanted to give you an idea of where we are. And we've also got some information from Steve Ferguson on the I.T. consolidation.

>> Steve Ferguson: Good morning, Steve Ferguson, Chief Information Officer. One of the bold proposals that Mark mentioned was a multiyear plan to begin consolidation of I.T. services in the city. This diagram illustrates an example of duplication of efforts between various departments. The key areas at the bottom are the areas we feel the city can benefit from consolidation in doing things from a single organizational structure. The consolidation is not just staff, it's all the tools that we deliver in I.T. It's infrastructure, it's applications, this chart illustrates the city's typical approach to application development. We've taken a very departmental approach, and this tends to then implement multiple solutions for a similar problem in differently departments. Over time, this is one of the areas of duplication that we want to help eliminate and go through a more consolidated model where we deliver a citywide application to all users. If you look at the three-year program that we've proposed, this chart shows the various functional areas that we will analyze and provide direction and recommendations to the City Manager for consolidation. We're not at this point in time estimating the amount of savings that can be had until we've gotten into each of the areas and done the functional analysis. But at the end, at the end of the three year period the delivery of I.T. services will be significantly different that be it is today and will hopefully align with a leaner meaner organization as we go forward into the future. So I think we're now ready to go to questions.

>> Mayor Reed: All right, we'll start with questions. Councilmember Nguyen had a question yesterday. I don't know if she wants to start off this morning with regard to the municipal water issue.

>> Councilmember Nguyen: Absolutely. Thank you Mayor Reed, thank you staff for the presentation. Just a couple of questions I wanted to engage staff a little bit about Muni water. My understanding is that San José Water Company pretty much serves about 80% of the City's population, with Great Oaks at 10% and Muni Water at 10%, is that correct?

>> Ed Shikada: Thank you, Councilmember Nguyen, Ed Shikada, Chief Deputy City Manager. I believe that's close basically to the statistics that affect.

>> John Stufflebean: That's approximately correct.

>> Councilmember Nguyen: Now, does San José Water Company pay the city any kind of franchise fee or any kind of fee to the city?

>> John Stufflebean: Currently they do not pay franchise. They have a constitutional exemption to the franchise fee.

>> Councilmember Nguyen: And how much revenue are we generating to Muni Water?

>> John Stufflebean: In the years past, Muni Water has paid in lieu fee, and the attorney's office has determine that that's no longer appropriate, so currently the Muni Water only pays to the city basically what overhead charges, the charges necessary for the city to provide the overhead services, HR services, finance, attorneys and so on.

>> City Attorney Doyle: Councilmember, I just want to amplify on that. For a number of years, Muni Water did pay into the General Fund. There's case law that is a result of other water companies throughout the state, and it's a Proposition 218 issue, you cannot make those transfers.

>> Councilmember Nguyen: And you probably don't have this information, but I was just wondering, what is the cost of the operation?

>> John Stufflebean: The cost of Muni?

>> Councilmember Nguyen: Uh-huh.

>> John Stufflebean: It is in the budget documents. It's about \$22 million a year. I guess I would add that the rates at Muni are 78% of the cost of San José Water Company.

>> Councilmember Nguyen: And does Muni Water contract out mainly services with San José Water or --

>> John Stufflebean: They contract out services to San José water also to some private other contractors.

>> Councilmember Nguyen: What is the percentage?

>> John Stufflebean: I don't have that off the top of my head, but they have some preferred contracts with Muni, with the San José Water Company, which work fine, are working fine.

>> Councilmember Nguyen: So those are just the basic questions, just so I have some insight in terms of how this all worked. I guess what really intrigued me to pose some of these questions is the letter that we received, I don't know, maybe a couple of weeks ago from San José Water Company, and again, given the budget situation that we're in right now. I'm curious as to why we don't explore this, if there's an opportunity to explore the options presented in the letter, whether -- if we're only serving roughly 10% of the City's population, I'm not really sure if the city is really in the business of, you know, running water services that are being provided to our residents. And I know that only portions of the population, mainly in the Evergreen area, that are being served by Muni Water. So --

>> Mayor Reed: I'm sorry, City Manager had a comment, Councilmember Nguyen.

>> City Manager Figone: Councilmember, are you done? Because I would like to have Ed maybe frame up for you and the rest of the council how we are planning to explore the letter if you would like to hear that.

>> Councilmember Nguyen: Sure.

>> Ed Shikada: Okay, thank you. City Manager, if you ready to move to perhaps a thumbnail of the way we're looking at an response to response to the letter. As I believe Peter noted, we do expect that the work required could be somewhat detailed, recognizing that we don't want to recreate the wheel. There was an evaluation of this several years ago, and so the first step the City Manager directed is that we assemble an interdepartmental team and take a look at the documentation that exists from the prior look and refresh our institutional knowledge of the issue. Want to give you a quick thumbnail on what some those issues are. First, John did mention, some of these issues the other day under the environmental services. But comes down to, a few, again, for someone who perhaps knows just enough to be dangerous. First is our own water supply and the ability to retain water rights, in particular the Hetch-Hetchy supply that is currently a part of the supply, again, both for the Evergreen area as well as North San José which is served by Muni. So we would want to flesh out what if anything has changed with respect to that particular issue. Second would be the financial. The figures identified in the water company's letter of interest obviously caught everyone's attention so we would like to flesh out what within that context we can actually count on, as well as John pointed out the potentially impact on rates to the ratepayers within the Muni area, as well as to what extent the proceeds from any type lease or sale could be generated to the General Fund versus being utility-restricted. And finally the last major is category of review for us would be the procurement process. And to what extent our process would look perhaps like a service delivery evaluation. Such as we're doing for some other services currently under the council's new policy and how we would go about framing up the questions to be answered with respect to the services provided to residents the best business case for what would be done there, and then ultimately leading into the procurement process, whether there be an RFP, exclusive negotiations. We have heard there are other organizations that are interested in engaging in the conversation as well. We would want to bring forward a work plan to the council in order to move through that expeditiously and get to the heart of the matter.

>> John Stufflebean: And Ed coy add one other issue that I'd just like council to also consider and that is the people that work at Muni. We have about 30 people that work at Muni and they have, as I mentioned earlier, done a fantastic job of building I think one of the best water utility companies in the country so we certainly want to look at as we move ahead there are options that we can do for a sale or lease and still accommodate the employees. They built the water company with low rates that have responsible practices and has infrastructure that's completely caught up. So that's I think almost unheard of in the water or utility industry. I wouldn't want to lose that as we move ahead.

>> Ed Shikada: And we would see that as a part of the framework under the service delivery evaluation, since the council policy does allow us to take a close look and ask a number of specific questions in that regard.

>> Councilmember Nguyen: Thank you, John, thank you Ed. Mr. Mayor, I would like to if possible see a work plan, I don't know how long it would take but perhaps in the next 90 days, or so, if that's not too much to ask.

>> Ed Shikada: Certainly.

>> City Manager Figone: We can begin with the initial scoping, councilmember, and then the devil will be in the details. The City's been through this a couple of times, so it is not like we're reinventing the wheel. So we do have a starting point, but it's a pretty extensive history, many, many complexities, we'll do our best at initial scoping and then I think more information will have to get teased out along the way.

>> Councilmember Nguyen: Great, thank you very much.

>> Mayor Reed: I would like to add a couple comments on Muni water because I was here at the end of the last nine-year cycle of the evaluation of whether or not to do something with Muni water. So I wasn't here for the whole thing. It did happen when I first got on the city council. And ultimately the decision not to enter into a lease arrangement was based on the fact that we thought we could get \$4 million a year out of Muni water for the General Fund. And so we said well, that's a federate good deal. That is not now possible on thousand law has evolved from then. It is a very different environment to consider this as it was before, laws have changed in lots of different directions so the staff needs to figure that out. But after all of that nine years worth of work it was ultimately the council's decision to go or not go on that. So some of the problems, you know, can be resolved. And we'll just need to look at it because it's a serious amount of money that we need to consider. Councilmember Nguyen anything else?

>> Councilmember Nguyen: That's all my questions, mayor.

>> Mayor Reed: Okay, Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. And thanks for the background. That was my question on -- think another council voted in '02 to do go forward, and I was curious why it fell apart at that point, so a change in law. So Rick, Santa Clara, City of Santa Clara, pretty famous for having a utility that produces power. They are under the same restrictions with their power utility as we are with our water utility?

>> City Attorney Doyle: No, I don't think so. And we'd have to get back to you with some specifics. But water rates are deemed to be, under prop 218, property related fees or charges because you bill people based on meters or delivery to the pipes that go through the ground and filled with water, and the courts have said, and the constitutional provision specifically addresses water rates. So it's more limiting. But as to Santa Clara Power, I'd have to get back to you on that.

>> Councilmember Oliverio: Okay.

>> City Attorney Doyle: I know there are distinctions. Palo Alto has a power company as well.

>> Councilmember Oliverio: So they actually get to fund their General Fund Power --

>> City Attorney Doyle: I think they have more flexibility in giving rates of return. How much they do I don't have that level of detail.

>> Councilmember Oliverio: Okay, that's fair. And then for our CIO, and you're off the -- Stufflebean, I won't be asking you any questions. You can hang out or whatever, I will not be. So you can sit down. Mr. Ferguson, I think you kind of detailed some on the chart some of the benefits and maybe, also flesh out some of the challenges of consolidation. But whatever the benefits and challenges could that be something that would come back regularly to Public Safety, finance and strategic support? So I guess it's sort of a three-part question. Based on the consolidation plan I think you pretty much laid out some of the benefits in your speaking, maybe talked to some of the challenges but would that be something you'd be able to bring up periodically back to the committee going forward?

>> Steve Ferguson: Yes, one of the key strategies that we had in putting forward the consolidation recommendation was dealing with the I.T. governance issue, as well. And I.T. governance is the policy making and investment priorities that we put in place, a new governance body called the technology leadership council. The technology leadership council is going to play a key role in reviewing the consolidation recommendations. And making a comment on those recommendations to the City Manager for decision making. We will, yes, we will regularly report to Public Safety progress in these various areas. As I said earlier we've laid out a three year plan where we're going to carefully inventory each function, make a specific recommendation in that function, and move on.

>> Councilmember Oliverio: And in the end you believe you'll be able to deliver technology to the entire enterprise at a lower price point base of the consolidation?

>> Steve Ferguson: Yes, and you asked also what the challenges are. There are a couple of key challenges I see. One is organizational, where we're bucking a trend of service delivered that's evolved over a long period of time so we're going to have some organizational challenges. There also may be investment challenges. For example, consolidating six departmental applications into a single application might require an investment into a new platform, whether it's hosted or internally sponsored, and those challenges are going to hit us. The strategy we outlined, the three year strategy takes what we consider the easier psychologists first and the more challenging consolidations later on.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: Yes, I just wanted to add a thought or two to Muni water because I got on the council in January of 2003, and remember, trying to understand why Muni water benefited 10% of San José but it was 100% asset for all of San José. And where our other enterprise type funds either benefited or challenged such as our Hayes mansion debt or our airport. But those are assets that all of us had access to. I really look forward to the analysis that will be coming back. I also wanted to talk about the city attorney's office. On page 512, there is a reduction of 11 positions. And I don't know how many those are attorneys. But one of my concerns is that we have a very low settlement payout, and as a matter of fact, I think it's lower than any other city. And just wondering, statistically, how is that going to affect the ability to keep our settlement payment low? That is going to call for some projections.

>> Mayor Reed: Before we get into that there will be presentations by the appointees later open in the session.

>> Councilmember Chirco: Oh, okay.

>> Mayor Reed: You can certainly go on with the answer.

>> City Attorney Doyle: Vice Mayor, I think it will dramatically affect it, that's a concern that I have but we'll give it a more detailed presentation when we give our presentation.

>> Councilmember Chirco: Okay, that would be great. And then to get to the HR office, the risk management staff my concern is because you've already been cut so much what is, you know -- how are we going to save money if our costs go up, and we've cut staff? I just, you know, if we cut staff that's what we have to do. But on the other side I don't want to see the costs go up which negates the whole benefit we received.

>> I'm going to ask John Dam, who is the deputy director over the risk management function, to come and answer that.

>> Good morning, John Dam, risk manager. We have a pretty significant target that we need to meet. So in doing so, we look at the investment in worker comp that was given to us three years ago. If we have to cut those investments we'll continue to do the best we can with that that we have. We have put in place some innovation, hopefully that will keep costs down. For example, we're using more Web based claim management and that is a direction we want to go forward in the future. So hopefully, we increase the efficiency. We will do -- continue to give controlling cost. Another factor is that the investment in city offices that was given to us five years ago continue to pay dividend. Claims continue to go down the last five years and this year we expect to have the lowest volume of claims and claims are an actual indicator of cost. So as claims go down we expect costs continue to go down. So hopefully, the cuts we make now will not affect future costs significantly.

>> Councilmember Chirco: It sounds like some of those that you've outlined you've already begun to implement and have seen some benefit?

>> Yes, that's correct, especially in workers comp claims a major factor for cost. If those continue to go down, we expect costs to go down as well.

>> Councilmember Chirco: Keep up the good work.

>> Thank you.

>> Councilmember Chirco: And then on the retirement department, where are we at in bringing the new governance model online?

>> City Manager Figone: I'm not sure if staff is here. I believe we have a retirement meeting in progress.

>> Councilmember Chirco: Oh, okay.

>> City Manager Figone: We can follow up with the response. I believe the ball is in our court with the attorney. You've already approved the ordinance, we just need to bring the enabling ordinances.

>> City Attorney Doyle: The goal was to come back with an ordinance that codifies the changes in June so we'll do it before the break.

>> Councilmember Chirco: Okay, thank you. Those are my questions.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I just want to congratulate staff on successfully achieving sales and increasing at least, you know, one time revenue on moving some of the property that we determined that we should, to bring more money into our General Fund. I just, you know, again you know we should never lose sight of the fact that we're going to have to achieve ongoing savings as well. We will soon lose these one time savings, we should keep our eye on the ongoing and I'm happy to know we're able to do that. I want to just make a couple of comments about the Muni water. It would result -- I think we need to definitely look at this, because 40 or \$50 million, or whatever the offer is from San José, water is significant and we certainly need to look at other one time sources of revenue for the budget. I guess I would advise proceeding cautiously though not just in terms of the 22% rate increases that will happen for the residents that are receiving Muni water now, but because of what was already said about our expertise in water, the fact that we have a staff that can -- that is expert in that and is delivering a very quality service, and I want to make sure that we don't -- that we preserve the water rights issues. I think that's very significant. Water has become a very important issue throughout our country and especially in California. And so I really want to make sure I understand the policy implications in us no longer delivering that service and having that control. Not just as it affects Evergreen or North San José but the entire city. So the fact that we still have some control over those -- over that is something that I'm interested in seeing how that would change if we do sell that to Muni water. And also the fact that it's a one-time kind of payoff which is important, and I'm not saying I wouldn't support it ultimately but I just want to move cautiously and really try to understand that. So on that note can somebody give me any -- are there any other concerns about that in terms of water rights or issues that might come up in the future? I'm concerned about one entity owning most of it, the rates could rise substantially or that there would be other things that would impact us with having one utility owning more of it like we see with another utility in another area.

>> John Stufflebean: Well, with respect to the water rights, the water that's used mostly in North San José is largely from the Hetch-Hetchy system, which is the San Francisco PUC. And the Reicher Act limits the sale of that water to public agencies, so that water cannot be sold to private companies. There maybe some ways to get around that but basically the law says it can only be sold to private -- to public agencies. In Edenvale and Evergreen, the water supply is the water District. The issue there with water supply is the water district has tax exempt bonds and they are close -- we understand that they are close to their private activity limit on those bonds and so if they were to increase the sale of water to a private company they could have some -- they may have some concerns about the continued effectiveness status of those bonds due to the private activity limits. So whenever -- they have expressed to us that they're concerned about that, so it is an operation that we would need to address.

>> Councilmember Herrera: And also, are there other entities that are interested in look at this? We have one bidder --

>> John Stufflebean: We understand there are others that are interested in purchasing Muni as well.

>> Councilmember Herrera: In any situation I would like to see multiple bidders but would like to see it in this situation.

>> City Attorney Doyle: Council, as one who was here the last time this issue came up for a vote, there are -- and this is what staff's going to have to come back with but there are differences between a sale, a lease an operating agreement and what is -- what works. We did a competitive process last time and all that really is part of coming back to the council. Sort of giving you where we've been and then direction of where we should go.

>> Councilmember Herrera: Great. And also I think if leasing, if we can do something that doesn't irrevocably change something so we could go back and have that opportunity to take it over again I think I'd like to see that opportunity pursued. And lastly I'm actually interested in us pursuing, having more opportunities for utilities in terms of power generation. You know, I know this council took a position against the proposition on the ballot that would stop local cities from doing that. But I think it -- I think we have the opportunity, with a solar and other alternative energies to look at new power generation and have our city have control of that and I would like us to look into that. As I said before I think the T&E committee, we have cities nearby that, part of the reason they sustain such great job growth and have businesses located there, Palo Alto and Santa Clara is because they have control over producing energy. They have their own ability to do that and I think San José should look into that, as well. Any comment on that?

>> John Stufflebean: Well, it certainly -- there are some city charter issues with respect to that Rick might want to address.

>> City Attorney Doyle: If you want to go into the power business you have to go to the voters. At least if you want to issue bonds to finance it. So those are again to the extent you want to expand the area of -- looking at that we can address that as part of any work plan.

>> John Stufflebean: And just the other point you made earlier was the issue of water expertise, and I guess certainly the staff recommendation from our perspective will be that we need to maintain regardless whether it's a sale or lease or maintaining Muni that we should maintain expertise in the water area to make sure we're at the table and having an influence on the decision that are made with respect to water supply.

>> Councilmember Herrera: I agree with that. Lastly, thank you, I just had a comment because Councilmember Oliverio already mentioned the I.T. issues. Having been in a company where I've seen consolidation and seen new applications brought in there's going to be definitely a cost to move to a standardized platform so I'd like to understand as you bring it back the costs involved but I think you're absolutely moving in the right direction. It will reduce our total cost of ownership, it will I believe give us more ability, more transparency actually because you won't have these information islands that probably exist now and we'll be able to have better reporting and better access to data. So I think we're moving in the right direction. We just probably need to understand the cost because sometimes you know having that vision achieving it can sometimes be really difficult. When you have a lot of different applications. And also, I imagine there's some departments that may feel that they need to be separate, and so that will probably be another thing we'll need to overcome but I think you're on the right track, thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Just a quick comment on the water issue. I definitely agree, and I want to echo Councilmember Herrera's comment. The Muni water does serve a big portion of my district, including Alviso area. And the increase of 22% fee increases is definitely a concern of mine. I want to thank the staff for a report and follow up on the I.T., the consolidation, the three-year plan. I do feel that reduction of the decrease in personnel will probably have a negative impact on your productivity. The question is, I have brought it up before, can we use some of the outside volunteer help to make the decision as we are considering a major overhaul, major decision on the I.T. area, more specific like an I.T. commissioner? I was wondering, in your service area, do we have any -- just I'm talking about this strategic support CSA, do we have any commissioners that provide any advisors, any advisors to this strategic CSA? I want to talk about the I.T. commissioners and I also wanted to bring up the real estate commissioners. I mean, we have tons of experts, and this information technology, as a capital of Silicon Valley, and we also have tons of experts in real estate transactions. And so I would -- I brought that up before, to consider having the I.T. commissioners and the real estate commissioner, it could be an ad hoc committee, just to look at all of our city real estate assets, to help to give us a -- some direction of what's the best choices for the councilmember, to you know, certain property, which is sell it, and what's the best use of our city real estate assets. But back to information technology. What's your thought about having a commissioner or an ad hoc committee on -- beyond your TLC, I believe your TLC is mostly the high-level city department management. But I'm talking about at high technical expert, people to give us some free consultant.

>> Steve Ferguson: I think that you did bring up the commission last year, we did a budget report on it. I think there are several options that we could look at. I know the -- in the past, the city had an I.T. planning board and there was private representation on that. That might be the one way to accomplish what you're asking us to look at bringing in an outside party there and we can look at the options and bring back a recommendation.

>> City Manager Figone: If I can add though, Steve, we have been tapping the thoughts of, for example, on the Google apps and the pilot efforts. I think we've initiated maybe in a little bit different way than a commission tapping into those relationships. The other consideration on any kind of a commission is, is it policy advisory to the council? Or oversight to the administration? And I think a commission that's oversight is an inappropriate use of a commission but certainly, tapping into the expertise of the community is something that we do, probably more on an ad hoc basis, councilmember, than a real structured one. So Steve, do you have any -- I mean I know that you dealt with Google. I'm not sure if there have been others who you've talked to.

>> Yes, we keep in pretty constant contact with the industry, just as part of doing our jobs. We also had engaged the services of a firm to come in and do an optimization study analysis of I.T. service delivery, and the result of that, it was a group of management partners, their report made 54 recommendations of how to improve I.T. service delivery, the main three recommendations that I call out of the 54 were dealing with governance, looking at I.T. from an enterprise perspective, and looking at the way services are delivered through a consolidation. And we are moving on all three of those fronts at this time with that outside advice.

>> Councilmember Chu: That outside entity you're talking about is the paid service by the city.

>> Steve Ferguson: That's correct.

>> Councilmember Chu: And I'm thinking of getting a group, a commission may not be the proper structure but I'm getting an outside group, then we -- committee, if that's better choice of word, an ad hoc committee, you know, to look at the overall structure and provide some suggestions without costing the city any money. You know, I'm pretty sure there is lot of people out there be volunteer, that are willing to volunteer their time, to help the city out.

>> Steve Ferguson: We will evaluate what the options are and come back with a recommendation if that's okay.

>> Mayor Reed: I just had a couple of comments on that. I do remember the I.T. policy advisory board, we had some private sector involvement in that, and that was helpful from time to time. I know there is a problem with bringing in private sector, because the people that you want to advise you are people that are really knowledgeable about the business. And they have products to sell. And they're wary of getting entangled in any kind of advisory relationship because then they may not be able to sell the products to us. But I know that there are you know companies that have been advising the State of California for example, that certainly would be helpful, if we could get them to help us. But if they want to sell a product, they may not be wanting to talk to us up front. So we'd have to do something to avoid that problem in some way. But I've certainly talked to a lot of CEOs who have great expertise in their companies who are in San José but they are reluctant to get involved. That's why we had to do our demonstration projects for clean technology because the very same companies that were working to figure it out ultimately have an interest in maybe selling us a product and so we got special rules for that in order to make that possible. So I think it's -- there's possibly some help but there are some difficulties with getting people engaged. I had a couple of questions and comments on the asset management thing. First, this is a -- probably not going to be of much help to us in this scholarly budget because I don't see these issues getting resolved in time to count the money for this fiscal year. But they could be very important for next fiscal year because we are facing a shortfall again next fiscal year. Right now Hayes mansion is costing us \$6 million a year. The golf courses have a couple of million dollars of debt service per year. Muni water, letter from San José water contemplates maybe \$4 million on a sale or up front money on a lease. So it's pretty serious money and it could be very helpful in next year's budget and I think it's very important to get the work done in time for us to make a decision that could have an impact on the 11-12 budget process. And I had a couple of other bits of information to pass on. First, is I don't think the council has seen the grand jury report that just came out. Staff is working on a response regarding the Hayes mansion. I just wanted to read their last recommendation. It says the city council should either sell the mansion or articulate for the public what the more important values are that offset the significant long standing and continuing financial drain of the mansion on the City's budget. So that's from the grand jury. I happen to agree with that particular recommendation, and we need to go through a process

to figure that out. To do one thing or the other with it. And then I had a question about the golf courses. We have three golf courses, and I'm looking at the staff memorandum, actually it's manager's budget addendum 31 from last year, May 15th of last year. \$26 million in outstanding debt on the three golf courses. Muni -- that doesn't have any debt so it's really on the two golf courses, \$26 million. Annual operating payments on the debt of about \$1.9 million. Plus rancho is running negative 176, so that's \$2 million a year negative. I think the approaches on the golf courses that I'm advocating is there is only one of them, Rancho, that we could dispose of because of park land restrictions. But if we were to dispose of Rancho, we could pay down the debt on Rancho and Los Lagos, eliminate the operating deficit at Rancho, of course, that's \$2 million to the good. And it's not out of the question because Rancho is I think 33 acres. I think that's the right, approximately 33 acres. And if we were able to sell that, at the value, what we're currently contemplating for the PDO/PIO land values in that area, it would be more than enough to clear the debt service on both golf courses. So there's certainly a scenario in which we could clear all of that debt and save us \$2 million a year. And I think we need to evaluate that and then be prepared when the market is right to move ahead with that. But part it is about the market, and this is not the best time to sell property. But there are people buying. But the market will improve. And at some point we need to be able to make that decision, hopefully in time for next year's budget. Lot E has been on the list of assets to consider selling. It was contemplated as a sale to help finance this building. And I know that the federal government is interested in a portion of lot E, possibly for a federal courthouse. They wouldn't take it all but they're interested. So there is some activity. So that, again, is something that is certainly feasible and reasonable to consider for next fiscal year. I just don't think we can get it into this fiscal year. And I think it's important for us to do the work on these assets to identify sort of the trigger point or the decision point for the council. And maybe it's when land values reach a certain level, or something else. But there are opportunities. And that's true for Hayes mansion as well as lot E and the others. But I think it's important for the staff to do the work, to be prepared so that we can make a decision that could have a significant impact on next year's projected shortfall. Because the manager's proposed budget does use some one-time funding to solve this year's gap which of course means next year the gap goes up to about \$40 million. So looking ahead, these assets are one of the things that we have available to help us solve some of these problems. And that's why we need to do that. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. I had a question about where the responsibility for grant oversight typically falls, if it's for you know arts grants, does it tend to fall on OCA or finance or is it HNVF grants, does all the oversight tend to fall within that specific department? I guess it would be housing, I'm assuming. Or PRNS, or does it all come into finance? I'm just trying to --

>> City Manager Figone: Grants are usually the responsibility of each of the departments.

>> Councilmember Liccardo: Okay.

>> City Manager Figone: Who are the sponsors of the service delivery.

>> Councilmember Liccardo: Okay. So really wouldn't have to do with strategic support in terms of what we got in front of us today? In terms of budget --

>> City Manager Figone: Budgetarily Jennifer or Scott might be able to talk about what we're counting on as a revenue source from grants, but the specific purpose of the grants and kind of where they're at and any cycle would be the budget head.

>> Scott Johnson: City Manager, I just wanted to add from the budget perspective we're also responsible for coordinating with the various departments in regards to compliance with grant proceeds, and the accounting. We have a rather large grant program that we report every year through our single audit that's produced annually through our independent auditor's office as well.

>> Councilmember Liccardo: Okay. And I should clarify Scott, what I meant was referring to grants that we are making from HNVF for instance or through our T.O.T. revenue through OCA. Is that what you're referring to as well or are you referring to grants that the City's receiving?

>> Scott Johnson: It's on both sides, both sides of the equation.

>> Councilmember Liccardo: Maybe I'll make a pitch and Scott you can tell me whether this comes under your shop or not. I often hear from nonprofits, on the arts side on social service side and so forth as, boy, there's an awful lot of oversight and staff involvement on some pretty small grants and we have to work awfully hard to get \$10,000. And it makes enormous sense to have a significant amount of oversight when we're talking about a \$400,000 grant or a million dollar investment. But when we're starting to talk about 10, \$15,000 grants a lot of groups are simply throwing up their hands and saying, I'm not going to even apply next year because it's not worth the trouble of the additional compliance and oversight. And so the question I have is, is this an opportunity for us at a time when we're obviously making severe cuts and we're trying to find ways to manage more effectively for us to just set monetary thresholds about where it is we're going to invest any resources in staff in terms of resources and where we're simply going to lay off?

>> City Manager Figone: You know I think we can always do better. We have seen those same concerns. Jeff Ruster in particular has been working with Patricia Gardner's group in make it less onerous for agencies applying as well as quite frankly the staff. And so I think we're making progress. There's probably room for some improvement. At the end of the day, though, I think we do need to ensure we have the accountability mechanisms in place. You know, even for a small dollar amount.

>> Councilmember Liccardo: Okay.

>> Ed Shikada: City Manager, perhaps if I could add to that, when we come back to the appointees presentation perhaps I can arrange for Jeff to be here. There had been a significant amount of work as the council knows in the area of the nonprofit strategic engagement and that recognizes that there are different thresholds perhaps that apply at different levels of grants and also different levels of engagement between nonprofits and the city. So we could be more prepared for a more full discussion of that at that point in time if that works.

>> Councilmember Liccardo: Thanks Ed and to be fair Scott to anybody that has responsibility because it sounds like this is a multidepartment issue, what I'm doing is I'm parroting the concerns I'm hearing out there, I know you're hearing them, too, and I have no idea to what extent they reflect recent changes or the current state of reality. I'm just reflecting concern knowing that we are downsizing enormously internally and boy that would be one great opportunity for us to downsize without causing any headache out there. Question I had relating to page 420 relates to our fleet management. And I know, Ed, we've talked a little bit about some of the investigation your team's doing in car share, and fleet sharing services, and I'm wondering, are there opportunities that you see now, after some of the investigation your team's done, to significantly save in cost and fleet management, maintenance, by engaging in any of these kinds of agreements with companies like zip car or car share?

>> Ask Randy Turner, our deputy director of our fleet, to speak to that, he's been working on that.

>> Randy Turner: Councilmember, Randy Turner deputy director, general services. We've been working in partnership with DOT to explore the opportunities with car share and programs like that, have been studying Berkeley and other programs around the country. We plan to come back in the fall to T&E and make a report on how we might be able to engage in that program.

>> Councilmember Liccardo: Okay, great. If the city does think seriously about jumping in I think it's a real opportunity for us, not just here internally at the city but I think for the rest of the community to be able to participate in these programs. I think there are a lot of folks who could save enormously on transportation costs, avoid having a car, in some are cases avoid having a second car, by participating in these larger car slayer efforts at really much lower cost, and it's certainly good environmentally to the extent it seems to have a real impact in reducing VMT so I appreciate your ongoing investigation of those options. I had a question about the unemployment insurance that appears on page 407. I know we've allocated \$9.5 million and obviously that's a very sobering statistic to think about, obviously we're -- we need to do everything we can to take care of those who might be leaving city service. I know that must be based on a lot of assumptions that are difficult to pin down, given the economy we've got but I'm just trying to understand the scale of what \$9.5 million means in terms of employees. Does that, with an assumption that every one of the employees who would be leaving city service would be applying for unemployment insurance for the whole year or are we making some assumptions that we expect some folks to be getting reemployed within some period of time?

>> Jennifer Maguire: About maybe I'm best to respond to that, Jennifer Maguire budget director. It is very, very hard to estimate what that unemployment insurance need might be. But we did work with our Work2Future folks to get an estimate on how many employees might be unemployed on average. Like for example, between zero and five weeks, five to 14 weeks, all the way up to 27 weeks, and over, given our industry that we have as a government. We also looked at with working with human resources how many people might be reinstated over the year for example in our sworn ranks as we look at attrition over the year and sworn. So we did discount for them coming back on not being on unemployment for very long. We have not estimated any unemployment benefits for our unbenefited part-time. So we're not being conservative in that regard because we just don't know how to estimate that because some people will be reduced to zero hours and how many -- the cost of that is very difficult to estimate. So we did a lot of analysis, the best we could with not knowing how people will actually take unemployment but we think we're somewhere in the \$9.5 million range of liability.

>> Councilmember Liccardo: That number may be -- Jennifer I understand the difficulty of your task. That number may be ending up significantly different at the end of the year.

>> Jennifer Maguire: It could be but the information we have in our hand we think it's our best estimate.

>> Councilmember Liccardo: Okay.

>> Jennifer Maguire: If concessions happen and employees are restored obviously the number changes.

>> Councilmember Liccardo: Okay, thank you. And then finally on the issue of the Hayes mansion this seems to come up every year and I have seen the grand jury report. What has always loomed large in my mind, maybe you can answer Peter and somebody else might want to chime in, my understanding we are tens of millions of dollars underwater between the valuation of the Hayes mansion and what we owe, is that fair to say?

>> Peter Jensen: Yes, I think our debt obligation is \$65 million and the numbers that we hear in terms of valuation, again very early, we haven't done enough analysis but between 20 and \$30 million.

>> Councilmember Liccardo: Right so any sale of that asset is going to cost us somewhere in the area of 30 to \$40 million out of pocket. Okay. I wish -- I wish that somehow or another the grand jury had gotten that information and for whatever reason it doesn't seem to be discussed enough publicly but it seems to me the public ought to know the reason why we're stuck with that asset is we simply can't afford to sell it. Although any of us I'm sure would be able to love to do so if we could do it without breaking the bank. Anyway, thanks for all the information.

>> Mayor Reed: On the Hayes mansion the last time I saw a valuation it was as a hotel and conference center. There are other possible uses that might have a different value which would fluctuate with the residential real estate market, plus it's costing us \$6 million a year. How long do you hold onto something, or do you pay somebody to take it off your hands, to save \$6 million a year, I mean that's the kind of analysis that we have to do.

>> Peter Jensen: And that's why we've included all those different uses on the analysis so we can give the council the full valuation.

>> Councilmember Liccardo: Mayor may I respond briefly? The valuation I heard I assumed relied on the highest and best use of the land. Am I mistaken? The numbers that we had discussed in past years and months about the valuation of that site, is it solely restricted to hotels or --

>> Matt Morley: Councilmember Liccardo, Matt Morley, computer general services. We have looked at several options, I think the valuation and the current assumption on highest and best is as a conference center. But again looking at options in the future, we'll have to outline that and what it looks like.

>> Councilmember Liccardo: Okay, so we don't yet have numbers based on direction use?

>> Matt Morley: That's correct.

>> Councilmember Liccardo: Okay, thank you.

>> Mayor Reed: One more question on it. How many units or rooms I guess, hotel rooms?

>> 214.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Just wanted to thank the mayor for his comments on the golf courses and the Hayes mansion.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. I wanted to talk about the Hayes mansion and lot E. if we can't sell them, can't we lease them? There have been several senior housing -- not necessarily housing, but senior care groups that have at least told me they were interested in the location. Is there some way that we could lease that setup, the whole Hayes mansion?

>> We're definitely interested in looking at every option we have.

>> Councilmember Pyle: And do we have any figures in reference to what kind of lease we might be able to get?

>> Peter Jensen: No, I think we would bring forward as part of the analysis.

>> Councilmember Pyle: And sometimes the sum of the parts is greater than the whole, so because you have a conference center there, you have something that could be turned either into mini apartments or something of that nature, is that something that's been considered?

>> Peter Jensen: Yeah, the analysis will look at lots of different options, so we could use it as it's being used, we could use it as either an assisted living or more of an ambulatory facility for seniors, all the way through residential. So we're trying to look at every option, and get background on, also, the cost to convert it to some sort of different use.

>> Councilmember Pyle: And then, in reference to the federal courthouse, there is a situation where, absolutely, the federal system wants to build a Courthouse. But they don't necessarily have a lot of money, either. Could that land be leased rather than sold?

>> Yes, that's certainly an option.

>> Councilmember Pyle: And that would give steady income which is what we're all looking for. Thank you.

>> Mayor Reed: Any other questions on this section of the presentation? I think the next set is council appointees. If I'm following the agenda right. There will be a presentation on each of the appointees I believe regarding their particular budgets. I don't know who's going to go first. It's in alphabettal order starting with attorney. What I'd like to do is go through all the presentations by each of the appointees and then we'll open up the questions and comments on all the areas.

>> City Attorney Doyle: Mayor, members of the council. This is, I had hoped to not have to make much of a presentation. But since this is what I believe to be a serious issue, in terms of what the impact will be, and this is really my first opportunity to speak to you as attorney-client, you are the client, you need to know what I perceive to be the impacts of the proposed budget. But before we start, Dan, do you want to go to the first slide? Now we've heard a lot of dismal news and I wanted to sort of start this off with today's headlines, this is from today's business section of the Mercury News. Good news, Cisco systems profits are up 63%, sales are up 27%. Macy's profits are up, their sales are up. I don't think Jennifer is ready to count or change her sales tax projections yet but

I at least want to start with you know, we're going through two weeks of hearing nothing but down side. We want to start with something that sort of gives a different twist. But now back to reality in terms of what we're facing this year. I want to start off with what our function is as City Attorney and obviously you know that, you're the client. We represent all city boards, commissions and employees. But ultimately, the decision-makers are the primary client. And I think we do a very good job on that. And this is my 11th budget and this is probably the most dramatic in terms of what I see is the impact in our ability to deliver the services. Next. This is the reduction target we've been faced with. The \$2.5 million is what's proposed in this operating budget. Shortly before this went to print we were presented with another \$1.7 million reduction proposal to offset redevelopment agency losses. So it's a total of \$4.2 million which represents a 30% total reduction. Next. The potential staffing level, I just want to talk about decreases, since I've been here. Our budget, given the fact that we're General Funded and we're mostly people is 95% personnel. The proposal is that, of the 2.5 million is a 12% decrease. And if you take a look over the last, fiscal year year 01-02, it's a 25% decrease. In raw numbers we have gone from 105 full time equivalents in the office and we'll be at 78 if the proposal is adopted. Next. The proposal is what's been requested of us is to eliminate 11 positions. That's six attorney positions, three are those are filled. And five support staff positions. What's happened over the last few years, we've had a number of retirements. And because of our budget situation, we've not been able to fill those retired positions. So in practice, the retirement equals a vacant position which equals a position elimination. We've had eight retirements and the manager's office and the mayor's office has requested that all proposed one time freezes be changed to ongoing. And I know that's the policy of the council. But the concern that I have is, there may be times when we need to fill freeze positions and we've requested that those positions be frozen, not eliminated. So we have the flexibility to, if need be, fill the positions over the years. In my opinion, the freeze operates the same as an ongoing reduction because we cannot fill it without permission from the mayor's office. And it's only in those -- in those times and those circumstances when we absolutely need to fill those positions that we go to the mayor's office and request permission to be unfrozen. And that, at the end of the presentation you'll see that that's part of my counterproposal. Next. The agency and I've been meeting with Harry to talk about the reductions. The \$1.7 million proposal would impact the general counsel's office, litigation support and SNI legal support. We would get out of the SNI business totally. And as you know, we've been very much involved, particularly in the Santee properties, we've had an injunction in place, we've gone back, we have an injunction in place until 2020. We would not be involved in that, we wouldn't monitor that, we just couldn't do it. And in addition to code enforcement issues, Councilmember Campos has asked for gang abatement support. That is as much an issue of the police department probably in terms of resources between our office, it really requires a team approach, but it's -- the ability to do that would be -- would be very limited, if at all. Next. I want to compare, and I've shown this slide before, our city versus other attorney's offices. San Francisco is a city and county, they have things like hospitals and Muni Railway, and things that we don't have, number one it's a little larger in population. But compared to any major city in California, we are certainly at the lowest per capita. Next. And so what we see in terms of cutting our services that we're going to have to to the extent work comes in and we can't do it, we're going to have to farm it out. And outside counsel rates, I think you have seen, the average is \$473 per hour. Sometimes we get it less, sometimes we're able to bring it in for under \$200 but that's for a first or second year associate. But we are basically looking at not being able to really do the workload that -- or carry the workload that we have. Next. I want to -- this is really addresses the Vice Mayor's concern or her comment about, this is a group called California citizens against lawsuit abuse. It was reported in the Mercury News, on last November. And the numbers for San José, compared to other cities in California, is good. It's good news. We have low verdicts and settlements. We pay outside counsel very low rates and our total numbers are well below any other major city and these are total payouts. I'd like to attribute this to good lawyering. I think in the future if we are left with the cuts it will be a combination of good lawyering and luck. Next. The major projects we're looking at now, we're faced with, we are - - I'm not going to run through them but you can see, that's only a handful but those are all high-profile and it requires a lot of work. Next. So if we are to make reductions, and I haven't been able really, and I need to have this conversation with you, because it's your priorities as to where we would cut. But examples would be, we would have to eliminate support for most boards and commissions. I mean certain commissions like the Planning Commission are essential that they be staffed. But we would -- you take a look at departments, in terms of contract review, document reviews, response times, any training, we do a lot of training, particularly on the ethics, the council's adopted a whole host of ethics reforms, open government reforms, we do a lot of training and I just don't think we could continue to do that given the potential cuts. At the end of the day it really gets down to the quality of the work product that we perform. I would also note that any -- I know the council has a high priority on economic development initiatives but I can safely represent that your major economic development pretty much all your economic development initiatives require a lot of legal support. Whether we're negotiating a deal with

Wolff or negotiating a deal with Cisco or bringing back a development agreement or changing an ordinance or coming up with green programs. Next. This again Vice Mayor raised questions about the City's payout. As part of the CAFR we're required each year to provide the auditors with what our exposure is on litigation cases. We've identified, for just the 40 top cases, about \$56 million in exposure. That's public record. We're seeing a significant increase in employment cases, the code enforcement, unfair business practices which we bring money in on. Our also are things we think are important to do but have limited ability to do that. Workers comp, you'll note, I think the question with John Dam was, the cuts there. In HR's presentation in the book, they talk about how the timing will be delayed in termination of processing claims. Though claims will be going down the processing will be going down, typically when it's delayed that involves litigation and that's when it comes over to our shop. I think you'll see an increase there as well. I asked what happened in the last week. We had 18 litigation matters opened up. Included in that is the civil rights case. It's an alleged, it is a debt that was allegedly caused by use of tasers and batons. That will require significant resources. We have two employee disciplines given in the budget and just timing we are seeing a lot more employee discipline cases. Next. This again, is just sort of gets to the point of what kind of discretionary cases we would have that we would bring. Next. In cases where you've actually gone out and aggressively pursued and this includes the tobacco settlement proceeds which brings in over \$9 million this year it's roughly 10 but it's gone down in the last couple of years. We've had significant collections brought in. This year alone was two major settlements that are about to be finalized. There's about \$22 million that we're bringing in and I think the message there is we more than pay for ourselves. Next. So just a summary of impacts. We don't believe we would have staffing levels adequate to meet the legal needs of the city. I don't believe, and I know the budget message here, cast in terms of May, I cast it in terms of it will no longer have lower claims and litigation costs. You just can't continue with a significant reduction that we're faced with. I think we'll also lose revenue. In terms of the revenue collections, we'll not have the ability to go out and affirmatively seek those dollars. And so last slide. What our proposal would be is, rather than eliminate positions to freeze positions, and it's not every position. We have about 11 positions out there. But a number of these are attorneys positions. We're not going to immediately fill them but to the extent we would need to we would ask for dispensation on the freeze. We have a legal services manager position which is a retirement. That is the person who supervises all the discovery in the office. We lose that, it's going to be potential -- I mean running a law office without somebody coordinating discovery is tough. You know, to make that adjustment is going to be difficult. The -- we also would propose, explore possible -- our initial propose was to try to pay for some of the attorneys in some of the unfilled position, the vacancies through fund shifts. We were told that you can't do that. Although I notice in some other proposals and specifically not to pick on the City Manager but there are -- there are positions that are shifted for a number of FTEs from other funds, and we'll work with the managers office and quite honestly, and in fairness to the manager, she has been very helpful in trying to accommodate us but we're working with them to try to fill at least with respect to the SNI cuts in the agency, and so that conversation is taking place. But my point is that there is precedent for fund shifts, and we should have the flexibility for -- I would ask the council to explore what type of funds shifts to fill needed positions. The other issue finally is the -- the service restorations. You day a look at attachment E, it was represented to us when we presented the budget that the first -- the three attorney filled position that are on the block for layoffs though would be backfilled from the first 5% in the budget proposed from the section 5% so that is something that we'd request. I'm also working with Harry. We're going to -- the agreement is, to come back, we're still in negotiations but working with Harry and the manager's office we'll come back with an MBA in the next week that addresses how we will address the \$one.7 million cut. I just want to finally say when I took this job, you know, in the interview, I -- I likened the city attorney's office as the offensive line of a football team. And the mayor raised the football analogy the other day, and just to pick up on that, and the reason I use the offensive line is because you can have the best quarterback in the world, you can have the best running back in the world, but the game is won and lost in the trenches. And if you look at the 49ers, their first two draft picks this year were offensive linemen. And we need offensive linemen that can protect you and get that ball across the goal line. So with that I'm here to answer your questions.

>> Mayor Reed: We'll come back for questions after we have next would be the City Auditor.

>> Sharon Erickson: Good morning, City Auditor Sharon Erickson. The mission of the City Auditor's office is to independently assess and report on city operations and services. Reporting directly to the city council, we conduct performance audits to identify ways to increase the economy efficiency effectiveness and accountability of city government. And we provide oversight of the external auditors on the annual financial audit, single audits, audits of parks and library bond funds, and the semiannual reviews of the City's investment program. This year the office issued 22 audit reports that identified about \$11.7 million in potential cost savings and revenue

enhancements or about \$4.80 in potential monetary benefits for every dollar of audit cost. A list of those audit projects are listed in section -- I'll get the Roman numerals right -- section VII, page 530 of the budget, and of course on our Website. Like others our office has seen significant reductions in the last few years. In 2008-09 the budget as a other things flattening the organization, and removing a supervisory layer. In 2009-10 the office achieved a 10% budget reduction by eliminating two program performance auditor positions. For 2010-11 our proposal includes elimination of the vacant program performance audit position, salary reductions for myself and the auditors office unit 99 staff, reductions to nonpersonal equipment funding, elimination of this office's paid intern program, that actually is a good news story in that we've been successful in attracting unpaid student interns from U.C. Santa Cruz and Stanford. Our proposed budget also includes one time funding of approximately \$65,000 from the airport department to conduct what they believe are important audits are airport concessions, and achieved -- and the savings that it also recognizes the savings that we achieved through our recent RFP for external audit services. The reduction in audit staffing this year and in prior years means fewer audits conducted and fewer recommendations to improve the efficiency and effectiveness of city services. Reducing staffing levels is distressing to all of us. But I would like to say how extraordinarily proud of my staff I am. Our team is doing more with less, and while we would like to be doing more, if we had more, we'll continue to work with the city council, City Manager and other appointees and staff, to target areas that are likely to yield the most benefit. That summarizes our budget proposal, but if I could I'd like to take a minute to point you to attachment C, which directly follows the City Manager's budget message in your book. That's the status of audit recommendations with funding impact. As I did last year I'd just like to summarize those if I could, and then staff and I can answer any questions if you have them. Attachment C provides the status of 21 open audit recommendations that have potential budget implications that were considered in the course of the preparation of your -- of the proposed budget. It includes six recommendations for the fire department, including recommendations to address overtime costs by control sick leave, recommendations regarding alternative service delivery methods and to improve fire inspection billing. There's a recommending for transportation regarding recovery of indirect costs from CalTrans, a recommendation from the finance -- for the finance department, to mitigate the effect of negative cash balances in the City's cash pool caused by bonds program. There are a couple of other recommendations regarding cost containment and workers comp. There's a recommendation regarding civilianization and the San José police department's auto theft unit, seven recommendations to help contain employee and retiree medical costs, three recommendations to increase the number of animals licensed generating fees to offset program costs. In addition to those items we also mentioned in attachment C, the audit of pensionable earnings and time recording, and the audit of civilianization opportunities in the police department. As is noted in attachment C is proposed budget document incorporates some of these recommendations, others are subject to meet-and-confer and/or negotiations with the City's bargaining unit, and some of the retirement leated items are slated for discussion with bargaining units no later than January 2011. My office reviews the status audit recommendations every six months. Our next review will be conducted in the fall and I'll be working with city staff in the meantime on the implementation of these recommendations. Thanks.

>> Mayor Reed: City Clerk.

>> Lee Price: Thank you, Mr. Mayor, members of the council. I'm proud to be here today to present the budget for the office of the City Clerk. As you know our mission is to support the legislative process, and in addition to providing administrative and legislative support to the city council, the council committees, and the City's boards and commissions, our office as you know conducts city elections and provides centralized records management and support for contract processing. Overall my office manages 28 appropriations for a total of \$14.9 million. And we support approximately 100 employees. That means the 16 folks in my office and the you know about 80 up in yours. As I begin my seventh year as your City Clerk I have conducted at least one city council election every year. We're in our fourth complete council election cycle and I've completed four special council elections. In addition we have made many improvements such as implementing the open government reforms, making our council history and documents Internet site available for the organization, thanks to our talented folks in I.T., we've improved our net file system, to allow online filing of campaign finance disclosure statements, and statements of economic interest, for over 1400 city employees and consultants. We've enhanced our administrative support services to the mayor and city council. Last year we cut our budget by cutting two full time employees in the office that supported many of the sunshine reforms as well as room reservations and the master calendar. In addition, last year I along with the City Manager, the City Attorney and the City Auditor, voluntarily rolled back my salary 3.75%. This years, our proposals total approximately \$255,000, in my proposed budget. That includes an additional 10%, compensation reduction for me, personally, and also, a 5% reduction for my assistant City Clerk,

Dennis Hawkins who volunteered that up even before the council's action recently to impose the 5% on unit 99 employees. To ensure that we can continue to maintain our core services, that is, to support the legislative process through our agenda services, minutes, and records functions as well as supporting various boards and commissions and the overall boards and commissions program, we continue to provide administrative support for the mayor and the city council, our service eliminations are one of two filled positions that provide centralized support for the final execution of all city contracts and agreements, each year my office process over 35,000 -- excuse me, 3500 agreements and over the past two years because of the very talented analyst we have implemented several process improvements which enabled us to reduce our staffing by one. As a part of this service reduction we will transfer the advertising and opening of construction bids to Public Works and they will perform this function. Our support to the City's legal advertising will be limited to those city council related ads therefore we're having to push back some of these citywide services that we provide to the organization, to the departments. Our proposal also includes the elimination of the ethics and compliance analyst who is responsible for codification functions in the office, remaining staff will continue to accept the filing of statements of economic interest, lobbyist reports, et cetera but we will be very -- it will be very difficult for us to continue the level of monitoring, tracking, compliance, and training, without a very, very vital position who has been fully dedicated to that purpose. We can complete the online posting of reports as necessary, in compliance with the City's open government reforms. We can make amendments to the Muni code and to the council policy manual but paper supplements will be reduced and I will expect that we will have some delays in getting these online updates. Lastly, we propose the elimination of one of our legislative secretary positions in the records unit. This was a very difficult decision to make, and instead we have asked that we can add an office specialist 2 position who can provide reception services at our front desk. Over the years we have been trying to do that by using the existing employees in the office on a rotational basis but having analysts sitting at the front desk answering the phone isn't the best use of those resources so I'm very much eager to add back in a receptionist to our office to make sure we're answering our calls and greeting the public. However these changes will reduce our internal customer support and it will result in delays in providing access to records to the organization. Operating departments will just need to start doing some of their own research and copying. I did want to take just a moment to briefly touch on our fees and charges. I know that's not exactly where we're in the agenda but we just have one we're proposing and that is a candidate filing fee of \$25 per candidate. This is the maximum fee that the state allows us to charge but it is intended to cover the cost of providing the detailed information resources that we provide to each candidate. We prepare as you know a handbook for each candidate and provide them with all of their resources that they need to run a good, clean, smooth campaign. Finally in summary these are very difficult reductions and we have made them in a way that minimizes impacts on the public we serve however the cuts do impact our levels of service particularly to the organization internally. So we will need to work with our customers to make sure that these transitions are as smooth as possible, for the future we will be looking at reviewing our organization internally, our job classifications and operating procedures to realign the office to meet the new realities. Our core services will remain, but we continue to look at new ways to do things, new technologies and revamping our office organization. In the future I hope I can come back to the council to seek funding for technologies that will improve our efficiency and the availability of information for public and the city organization. Thank you.

>> Mayor Reed: City Manager.

>> City Manager Figone: Thank you, Mr. Mayor, members of council. As the chief administrative officer for the city, I'd like to talk about the manager's office, and our roles and responsibilities kind of in that context. As you know, the City Manager's office provides the chief strategic leadership and support that the mayor and council rely on in order to ensure that your organization is delivering on the policy priorities that you've set. In that regard, one of our key responsibilities is to motivate and challenge the workforce, and to ensure that we are organized, and resourced in a way that delivers high quality services that meets the community needs. You know words like motivates and challenges are hard to pin down. But as I was listening to the department heads over the last couple of days what you're hearing from them I think is in great measure the result not only of their talent but of the type of mindset and spirit that I in my office have tried to establish in the organization and that is one that continually seeks to improve and challenges themselves and others to work within the systems and the resources that we have to do the very best public administration and professional work that we can provide you. So to that end, my office focuses both on the leadership and the management of the organization, to ensure that it has the direction and the support that it needs to effectively deliver the very broad range of services that this 10th largest city in the country provides to the City of San José. We have three core service areas that I'll -- they're in the book

but I really would like you to think about our functions in three ways. First of all, the category of executive leadership and management, and in that regard, we've been pared down over the years, there was a day when I was in the manager's office before where we had five deputies and the assistant City Manager. Today we are left with not only myself but the assistant City Manager and two deputies, and so you know them as Ed Shikada, Deanna Santana and Norberto Duen,,s. The second category is one of some key functions that you would typically find in a manager's office has been historically in the City Manager's office and that is agenda services, intergovernmental relations, the budget office, and employee relations. And then the third I would categorize as special initiatives and special projects which changes over time. Currently the one stable that we have had for several years is in the area of public education and community outreach which is an extremely important to our delivering services to the community as our key communication function. And a little newer one on the horizon over the last several years has been in neighborhood partnerships such as the SNI effort. So what I would like to do is just comment a little bit about how the proposals that I've had to bring forward are going to affect us. I will tell you that they are not easy. But I've brought them forward because I can live with them. But in saying that I can live with them it does not mean that they are easy. As you know I have used the met for in the past, we are driving the car down the freeway at a great rate of speed, and at the same time, trying to change the tires. The issues that we are trying to resolve for 10-11 are just the tip of the iceberg. We know we have problems into the future, and the leadership responsibility and the management responsibility and the view that I carry, and my office carries, is one that is dealing with next year's problem but is also looking down the road several years. So that said, we are bringing forward several proposals. First of all, in the area of cuts to senior staff positions. We have two positions, one will be defunded, and that is a deputy City Manager. The other one will be taken off the books. That is our legislative and policy director position. These functions will be absorbed by the remaining two deputy City Managers and the assistant City Manager. As I mentioned this is a group that already has very significant heavy work loads as they go about providing services on a broad basis, everything from support to council committees to jumping in and leading special projects, whether it's the getting the CRAF loan agreement over the goal line, card rooms, medical marijuana. Sunshine reform, you name it we're there to provide the leadership and technical guidance that the organization needs, given the issue of the day. In regard to the legislative and policy director, that was a position that was added under Les white. We've never had the luxury to fill it. The idea was to enhance the legislative presence. We are going to try to do without that position. The regional influence team that we've pulled together through the partnership with many of our talented people in our departments I think is helping to raise the bar in our legislative work. But we might want to revisit that as we get into some better times. The strong neighborhoods initiative staffing I'm not going to go through the technical details. Both Kip and Norberto are here to talk about that and to respond to your questions as necessary. But what I would say is it is not always clear that the City Manager's office is in collaboration with the redevelopment agency and community leaders have been working on an update to the strong neighborhoods business plan that will bring that strong neighborhoods concept to the next level in finding the right mix of an organization to stabilize neighborhoods in crisis and mobilize our neighborhoods in action. And again we have some reductions and cost-shifts to carry us into a new strategy for the next couple of years, using some one-time moneys that we've had and some reserves. There's another proposal to cut our video multimedia staffing and move to contracting out. This might seem like a luxury. This is a proposal that I really don't like to bring forward. We will be losing two very talented young men who have just brought tremendous quality to our ability to communicate with our city through video and multimedia. They have brought a level of talent and creativity and sophistication to the table that we really should have as the tenth largest city in the country but none the lest this is a bad choice among many bad choices and so we will lose that expertise. I've commented on strong neighborhoods administrative support staffing. Let me just say that we've had some changes in our operation and we are restructuring clerical support, and so we'll be realizing some savings due to that restructuring. In the area of our support to the domestic violence prevention program, again, we are trying to hold onto that service. It's been a high priority of the council over the years. But we continue to do so by shifting the cost of that position to a reserve that we've had in place, and we will have to grapple that moving -- with that reality moving into the next budget cycle for 11-12. So again, in closure, my staff is here when you're ready for questions to respond to the technical details. We are bringing our best professional recommendations to you. And we will do the best that we can with the remaining resources that we have. Thank you.

>> Mayor Reed: All right. We will turn to questions from the council now. I'd like to start with a question about the 10% concessions, if I'm remembering this correct, we have about seven open contracts that we're currently negotiating with, I don't know if that includes unit 99 or not. But there's around seven or so. And it represents

about \$10 million of concessions that we may achieve over the next three weeks. How much of that is help, how many -- I don't know if Jennifer is gone.

>> Jennifer Maguire: I can answer the question.

>> Mayor Reed: Jennifer is here.

>> Jennifer Maguire: That would be for the first 5% would be about \$350,000 for the ALP portion of the concessions, and you obviously double -- it would be at \$700,000 at the 10% level.

>> Mayor Reed: But the total still in front of us in the next few weeks is about \$10 million, am I right?

>> Jennifer Maguire: I think so. I would have to add that up. I haven't looked at it totally that way, but I think you're right.

>> Mayor Reed: I know there's 11.3 or something like that in total, but part of that has been programmed. I think the first five for unit 99 was already programmed in the proposed budget so it's around ten and still in front of us for the next three weeks and some of that is ALP. Councilmember Pyle.

>> Councilmember Pyle: Thank you. As I was hearing the situation and the scenarios I couldn't help but think of the golden egg and the goose and all of that. I see these departments as being able to promote money, particularly the auditing department. And that is something I would not want to discourage in any way whatsoever. In reference to the legal situation, there are situations that will be coming up in which we're going to need legal help, that being, number 1, all of the houses that have been abandoned that have been foreclosed upon. We had a total of 90,000. I don't know how many are left in the neighborhoods but it's going to take more than a notice that you've got a fine. I would think that would be -- would require legal support, and that income from going after the banks that are treating all of us in such a shabby way, is going to require some additional service, would it not?

>> City Attorney Doyle: Yeah, and I think just whether it goes through the city's process, to the appeals hearing board on code violations and abatements, or if we have neglected house code as well, or we bring unfair business practices against banks or institution people in court, to the extent we do that, that is -- that requires significant resources. And the same you know, it's working in tandem with code enforcement and like we work with the police on cases, I mean this is all the team approach but the legal support is sort of a vital part with the whole.

>> Councilmember Pyle: Absolutely. So I totally am against us cutting resources that could lead us to better financial monetary resources. And we all know how productive the auditing department has been in reference to money that has already been saved. And Sharon do you have any kind of a broad view of the number of dollars that have been saved because of your audits? I could have added them all up, but I didn't.

>> Sharon Erickson: It was \$11.7 million identified this year. I have to caution you, though, that many of those, that that includes recommendations that are currently in negotiations, for example, the savings that we -- the potential savings we identified through civilianization will be used in negotiations with the POA. So we have not yet realized those savings.

>> Councilmember Pyle: But you identified places where we could.

>> Sharon Erickson: Right. We have a target of identifying \$4 for every dollar of audit cost and we have more than -- we have been exceeding that target.

>> Councilmember Pyle: But if you're cut, the amount of money that is being proposed for your department which I think was 111? I'm sorry --

>> Sharon Erickson: Yeah, if we cut the one position, our budget cut is something around \$400,000, the last I saw in the budget system. Yeah, if you reduce audit service you will have fewer audits, fewer audit

recommendations. We are doing what we can to be more efficient, and effective in targeting audits to make up for that difference. But yes, that is -- that is the unpleasant choice.

>> Councilmember Pyle: Well, you're the quarterback from my perspective. Without the quarterback you can't have much of a team. So absolutely, I would be opposed to decrease the A of money you're bringing back to the city. And as far as the City Clerk is concerned, you're the face of the city to so many people. And you've done such an incredibly fantastic job, as all of the people that spoke today have. I don't know how you do what you do with what you got. So in your particular case, I think if we look anywhere but in these departments, we will be well-served. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you. I'm going to try to refrain from making any football analogies before anyone accuses me of being the water boy for the organization. But I wanted to first say we have got some -- we are really fortunate to have exceptional leadership in the core of this organization and all the individuals who spoke for City Clerk, City Attorney, City Auditor, we are blessed in San José of having the best of the best. I wanted to ask Rick a question about the cost of outside counsel. I think Rick, we'd both agree that claims and litigation settlement costs will rise if there are cuts, additional cuts in city attorney's office. But that's somewhat speculative. We don't know exactly how those will end up. What seems to be more certain is, the need to rely on outside council to do the work that was previously done inside. Do you have any sense about, or estimates about what those costs might be of having to turn to outside council?

>> City Attorney Doyle: One of my slides showed the number being at about \$473 per hour on an hourly basis.

>> Councilmember Liccardo: Yeah.

>> City Attorney Doyle: You worked for a private firm once in your life and I think you know how billable hours can get away.

>> Councilmember Liccardo: Right.

>> City Attorney Doyle: And it's tough to control particularly litigation. Litigation is something with depositions, discovery, going to trial, it becomes -- the meter keeps running and it's hard to contain. So it's really hard to project what it would be. I think if you take a look at the other cities that's probably a good guess in terms of workload. I mean we have just the cases, the 647 F class action case, a number of the other civil rights cases, the fact that we can have those in house, and I think quite honestly do those in house better, those are the cases where we have the expertise in the city probably be better than anybody and I think there have been judges that have commented to that effect. There's a real savings to the city. Both in terms of the cost of trying the cases or litigating the cases plus the results. So you know, the problem I have is giving you a number.

>> Councilmember Liccardo: Yeah, well you know looking at what's in the budget documents, I see San Francisco spent almost \$4 million, San Diego spent a little over \$9 million in terms of the two cities that are probably closest to us in the population of the four that are cited, that gives us some range, in my understanding we spent almost \$700,000 in '08-'09, looks like less than that in the upcoming year. The worry of mine are that proposed cuts are sometimes penny wise and pound foolish. Obviously in a world of constrained resources I understand we have little choice but this is probably not an area we want to be tempting fate in terms of cutting additional resources. No, thank you, and Councilmember Pyle just showed me the hourly rates and I'm certainly mindful of those. What I was really interested is the aggregate cost. When you go to outside counsel there is certainly in any relationship between agency and principal, there are occasionally conflicts of interest in terms of self-interest and there are certainly some firms that are out there that are happy to continue to litigate, knowing that billable hours can continue. And certainly the approach of our City Attorney has always been that we need to resolve cases as soon as possible in an efficient way and I'm worried we lose some of that ability, some of that control to the extent we move to outside counsel. Thank you.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: Yes, I was looking over schedule E, it's kind of like the ugly sheet. Well, actually, I'm I guess, I'm sorry I still call it the ugly sheet. And the first two items in the second five are, deputy city attorney's and the auditor. And both of these are revenue generating. I was looking at the page that shows revenue collections. The average that the attorney's office has returned to the city is \$13.7 million annually over the last ten years. I realize these are Draconian times. But I would -- I would really like to see that in the top 5%, the audit staffing and the legal representation. I -- I realize that bumps something in the first 5% under the nonsworn. But I think these are departments that, without them, our issues become more critical. And we might not be able to hold it at a \$40 million deficit next year. It might actually grow even worse than outside influences. And this is something that I think we might be able to push back on. I don't know how the attorney's proposal of freezing affects the budget. I'd like of like to see, you know -- I know freezing versus eliminating is a conversation, so I was looking at the tier 2 of the 5%. So --

>> City Attorney Doyle: Vice Mayor, if I could, on the freezing, I mean, the City Manager used the phrase defunding for a deputy City Manager which to me, is the same thing. You don't eliminate the position, you just don't fund it. So that's where the saving is and you won't fund it until it needs to be filled so that would be really our proposal. But really, as I explained to someone, sometimes it's like an act of Congress to create, it takes an act of Congress to create a influence position. So the position would be there in the event you ever need to fill it and it's just not funded. And so that would be my projection.

>> Councilmember Chirco: Well looking at what the attorney's office has been able to return to the city, if we don't fund a position that is held vacant but we could defund the position, because next year we could have this same conversation. We're in this for the long term. If we don't fix it this year and never have to be dealing with it again, we're going to have to deal with it year after year running.

>> City Attorney Doyle: That's why my first slide was good news.

>> Councilmember Chirco: Thank you. I'm still depressed.

>> Mayor Reed: I would note Cisco has enough cash in the bank to solve all our problems.

>> Councilmember Chirco: Let's go Cisco.

>> Mayor Reed: But they're probably not going to give it up.

>> Councilmember Chirco: No, you're right. My preference would be to see those three positions that are in attachment E move up to under the first 5% total compensation reduction, that doesn't mean they're funded. That means we do have to get the 5%. I realize Rick talks about three positions. I don't know why it talks about just two in schedule E.

>> City Attorney Doyle: And I don't know either. It was three and maybe Jennifer can --

>> Jennifer Maguire: If ALP gave concessions it would be about \$350,000. We were trying to tie those particular concessions to buy attorneys, we couldn't afford to buy three, that's why it only has two at this point. The two cost almost \$300,000 alone and the ALP concessions were \$350,000.

>> Councilmember Chirco: At the first 5%?

>> Jennifer Maguire: At the second 5%. The first 5% we had recommended that you buy back the library hours primarily and the community center restorations and so there wasn't enough room. But certainly if you got 10% in the ALP they would be worth more money.

>> Councilmember Chirco: I'm concerned like the library branch hours do we put them more at risk by not restoring attorney positions so we could be on an offensive position on what we can realistically expect to continue which is lawsuits and, as Councilmember Pyle pointed out, growing lawsuits, with all of the properties we have abandoned and the at-risk situation. So I don't want to threaten our libraries. That is not my goal. I want to do my best to protect them. But I think, my thinking is that we can best protect them by trying to strengthen our

audit department and our attorney's office. So that would be a preference of mine. Is to put those two in the top 5 and I don't know what an hour of a library a week would do, to -- instead of being 39, can we do 38? What does one hour at our library system cost?

>> Jennifer Maguire: I don't know the answer to that, but you certainly could pull anything from the second 5% and put it up in the first 5% as the council would want to do that.

>> Councilmember Chirco: What generates revenue and protects our revenue streams and protects us from losing revenue, by increasing our risk, and those are the two departments that I see. I realize there's a City Manager's special project staffing but it doesn't involve -- and that's not a revenue stream, protection or generation. That is city work, and it's critical. But I'm trying to think of how do we protect and enhance our position? So that would be a preference I would have, is to move those into the top 5%. Or the first 5%. And I would also -- because I notice that the City Clerk's positions were in the first 5% and I realize that's critical also. Okay, I'm done with ugly. There will be more later. Councilmember Nguyen.

>> Councilmember Nguyen: Thank you. Rick, I have a couple of questions. What is the fiscal difference between your proposal compared to the budget office's proposal?

>> City Attorney Doyle: I think the freezing of the seven vacant positions there's really no net effect. I call it the freezing, you can call it defunding. For this fiscal year I don't -- there's no difference. The restoration of the position, in terms of moving them back into the top, I think the Vice Mayor just had that conversation. I'd add that I know that there are not just out-- concessions that people talking about but the unit 99 employees in my office plus myself, probably it's about 100 -- between \$125,000 and \$150,000. I don't have those exact numbers but there's savings there. So I mean, that's something we could have a conversation with the manager's office. They have a better handle on the dollars. The fund shifts are just something I'd like to explore. To the extent we need to protect a vitamin litigation position and we don't get it from the redevelopment agency or the City Manager's office there is the contingency reserve fund. Workers comp funds we have explored in the past trying to get the workers comp fund which is in excess of \$15 million to help pay for the lawyers. And that's been rejected, over the last few years. But those are things I think we just need to explore given the dire circumstances. And probably the more expensive alternatives.

>> Councilmember Nguyen: Thank you. I have huge concerns about the possible elimination of the SNI project support, given the works we have in the pipeline, the ongoing Santee injunction, the foreclosed homes, the abandoned homes, and also the increase of code enforcement that are arriving from vacant buildings, commercial buildings, throughout parts of our city. I think that we need to have legal support to help us. And then also in regards to some of the fundings that we're able to obtain from the federal government to help with purchase vacant properties throughout our city especially in the Santee area. I definitely would like to see legal support in that arena. And I think that we're at a juncture right now where we actually can provide long term solutions to the Santee injunction issue. And so this is not the right time to eliminate SNI legal support from the city attorney's office. I like the City Attorney's proposal. I like for us to explore some of the recommendations that he illustrated in the presentation, and perhaps, come back and see if how we can fill some of those gaps. If I have a preference to save positions it will definitely be in the city attorney's office. Thank you.

>> Mayor Reed: I think Jennifer had a comment.

>> Jennifer Maguire: Yes, just to clarify on the impact to the budget if the council chose to defund the attorney's office positions. Rick is correct there is no impact to the 10-11 budget year but it would create -- it would be considered a one time reduction, if we defunded those positions. So basically, it would just increase the deficit to '11-12, so that's what would happen. So when we reported the 40 million, it would be 41 or \$42 million depending on how much the value of those positions are.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. The city attorney's office, I share some of the concerns that have been raised including the ones that Councilmember Nguyen just raised regarding the gang injunctions and the ability for that support. And I think that we're seeing the challenges, let me just kind of put across the board, a number of

percentages to cut. When it's difficult sometimes to see the value that we get out of some of these departments and it's -- I think city attorney's office in particular it's very hard to put a number on what we lose out on when we lose some of that staffing. I think we've been efficient, very efficient with the number of attorneys we've had and the success we've been able to have as a city attorney's office. I think it's a combination of factors in that we haven't had the same type of settlement. So the city's one is I think we do have attorneys that work hard and represent us well and coupled with I think at least an attitude from the council that we're just not going to write checks every time someone files a claim against us but we are able to do that because we have the support from our legal team. And I think also we don't see as many frivolous suits brought from the public in general. I think part of that is also because we -- because ever all those aforementioned reasons. In some of the other cities where you see these large settlements where they're more apt to sign off on these settlements, you'll see again it'll cause the effect of having more folks file claims. So I think the worry is if we aren't able to defend these claims as vigorously, will it then precipitate a greater number of claims against us if we do see the end result that we're starting to write checks for these settlements, because -- either because we don't have enough resources to adequately defend them or because we have to make a decision at some point, is it worth it for us to use the resources for A when we have B, C&D coming down the pike and we kind of have to make that tradeoff. So it's a very -- it's a challenging proposition because it's a hard enumerator, hard to put a number on it, you just don't know. And what we do know is contracting these types of services out is incredibly expensive. It takes away the institutional expertise we have which I think also adds to our ability to advise you know the attorney's office to advise the council and vigorously defend the city. Also on the flip side of that the ability to get some revenue in from legitimate claims the city may have, I think we've seen some successes because of available expertise we have internally. So I think certainly if there's an opportunity to -- at the very least for Public Safety reasons maintain the ability to have the injunction, the gang injunctions kept in place, I don't know if there are opportunities for outside funding for that. I know that the police department oftentimes can seek outside funding for those purposes. If there's some latitude in some of that funding, if there are other avenues for funding that are available to legal department for a legal exercise of public safety objectives, that may be at least one opportunity to look for some funds where maybe otherwise they hadn't existed in the past, with the different forms of stimulus funds that are coming some of which are public safety related from the federal government.

>> City Attorney Doyle: Councilmember, that's an excellent point. District attorneys throughout around the state get grant funds for criminal justice and those types of things. We have looked at whether we can -- things like gang abatement, or certain types of -- working with our police department trying to get grants for that, today we really haven't had any luck. But that's something I think given the realities, we should revisit and try to pursue.

>> Councilmember Kalra: Yeah, and I think it's -- you're serving the same purpose, you know the same kinds of grants the D.A.'s office usually gets, you're hand in hand with the police department saving the same purpose of very challenging issues in the neighborhoods. It's one point I want to make also on the fact that we're probably going to have to get rid of or at least scale down or terminate the in-house ethics training, I think particularly with a lot of the focus that's been placed on ethics the last couple of years that it will be certainly disadvantaged. I do think that Lisa Herrick and others in the attorney's office do excellent job in that training and being in the legal field for many years I've had the opportunity to go to many trainings over the years offered by many sources and in-house training almost always provides better insight and better tools for the employees. I can understand that that might be something that we'll have to find some other way to provide those same resources. One -- one area that I wanted to ask was this in terms of the kind of the in-house, there is something actually even with the Clerk's office in-house request, if there's fully way -- if there's any way you find the common requests you get either from the council or from particular departments of streamlining and maybe even creating maybe not forms but some kind of like -- sometimes there are certain issues that are raised internally that could get raised again and ethics is certainly one that you may see more often, and oftentimes there's a lot of time spent back and forth in e-mail or conversations, valuable time of our attorneys for background questions, if there's some formatted form on our end if we can have our staff or from the parks department or employee services what you have so that some of that time it takes to get that background information is streamlined and there's a more formatted way to respond, there's a form response back and not to take away the value, which I think is valuable, of the hands-on, face-to-face communication, or on-the-phone communication, but with the current realities I'd much rather have the time of the attorneys used on either issues that we kind of policy issues that we've asked to be analyzed or more importantly the litigation that you're dealing with. And I'll pose -- similarly pose the question to the Clerk's office. I know that from the 18th floor, it certainly happens, I'm sure it happens from other departments as well. You get used to coming -- the top five things you get commonly asked, I know your staff does a fantastic job of vetting

each one very thoroughly. If there is a way of streamlining that process, these are the most common things we have, let's create forms so when that at least when they come in we have all the questions answered that we're typically going to ask. Just kind of to speed up that process so you can get back to the work of helping us run the city. And so I don't know if that's something practical, or something you've thought about or something that is a helpful suggestion.

>> City Attorney Doyle: I think -- and I'll let Lee speak from her side, but so often her office deals with council day to day running the offices, and issues come up. You mentioned Lisa Herrick, she works very closely with the Clerk's office in trying to address this. If there's faster ways, better ways we can do that, I think we're open to them, and any ideas you have, Lee, that would help.

>> Lee Price: Thanks, Rick. I appreciate the question, Councilmember Kalra, and our philosophy really is to do just that and to provide more training. In fact we've been working together, to coordinate some training council-assistant certification training, and including kind of an ongoing module and perhaps in training it on the 18th floor with chiefs of staff on certain issues. So it's definitely something that we've spent time talking about and are looking for opportunities to do just that, to be able to spread that information, so that we could provide the education and then, then the follow-up questions will be much easier because we've laid the foundation.

>> Councilmember Kalra: Just thinking of ways to reduce the amount of time, basically make it more efficient for you so that we take as little time as possible from your daily work from questions that could be very well, very easily handled in a much more efficient way.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: I share the concerns expressed by my councilmembers but again I'll say this we could minimize these cuts by eliminating the HNVF fund altogether and putting in the General Fund to fund the most critical resources in our charter like the City Attorney like the City Auditor like the City Clerk thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. I just want to say thank you to these appointees, to the City Manager, the City Attorney, Auditor, Clerk for all the work you do. Deb, I just want to commend you publicly for keeping this organization running at a high level, and managing the change that we're having to go through in really tough times. I don't think we can say thank you enough you enough to you for getting us through this. It is not just getting thrust and surviving it is the high level which this organization runs that is a credit to Deb and others. I'm not going to repeat everything the City Attorney said, I support what they're saying. In terms of legislation in everything the city does requires a very strong attorney and staff to maintain that for all of the reasons that have been mentioned. The auditors office and \$11.7 million in savings I mean just fantastic. I just wanted to just say thank you, and to recognize the quality of work that's being done.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, again, my colleague, Councilmember Herrera, put it pretty well. I know this is a time when the City Manager's office and Deb personally are frankly under a lot of unfair attacks because we're in very difficult negotiations. And it's a time when it's important for us to recognize the extraordinary work that Deb and her team do. It's just I think we're fortunate to have the finest City Manager in the state and we ought to recognize that and say that more frequently. I just had a quick question for Rick, follow-up on some of the conversations we've been having. I know you have been very successful in generating revenue as plaintiffs. Some time ago as I recall the coined site Ann Ravel specifically assigned a unit to handle plaintiff's cases. I wonder do we do that at all?

>> City Attorney Doyle: Starting under Ann and currently the county council's office has what they call an affirmative litigation unit. No, we don't have such a unit. We do have attorneys in our office and primarily three, that are well versed in what we call business and profession 17200 cases which are unfair business practices cases. They are tied into code enforcement and SNI as well. We don't have a firm area of litigation. That being

said that doesn't mean we haven't brought and there are cases that we are soon to file, that I think the council maybe waiver that really represent that type of action.

>> Councilmember Liccardo: Thanks Rick.

>> Mayor Reed: We have some requests to speak in this section from the public. I'd like to take that now. I believe that we'll have enough time after we finish the public comment to move into the Public Safety CSA and get their presentation done. We will not have time for discussion or public testimonial on that which we will take up tomorrow morning. Public comment at this time. Christy No, Rachel Taggart, Charlie Chan, please come on down to the front when I call your name so you're close to the microphone. Cut the transit time. No takers, David Wall. Robert Sapien, Jim Sunkle.

>> David Wall: First of all, good morning to you all, it's good to see you refreshed on this third session of the budget hearings. I've been on record for many times, stating that the management of our office of the City Attorney is probably nothing short of the best law firm in the State of California. It is without question, without the attorney and the auditor, this city would collapse. Therefore, I've come up with some funding. First of all, structural problems. First structural problem that has to be addressed by this council is to grasp and understand the necessity to modify section 411 of the city charter. This will give access to the city attorney for the doctrine fund shifting which is very flexible, very efficient, and needed. Currently, the need, or access to immediate funding for the auditor and the attorney, can be easily addressed in my opinion by the elimination of the following entities. Eliminate employee relations in toto. We have just heard a remark by our honorable City Attorney that employee disciplines are going up as a function of the deficit. There are issues of constructive terminations, that are coming through. And this goes to show you the lack of leadership of the office of City Manager. The office of economic development, to me, is nothing more than a group of manure slingers. This entire office could be eliminated without any detrimental aspects to the city. The mayor's senior staff, those six positions alone could fund for the city attorney's those positions that are going to be eliminated. And I would further make a comment that you would see no loss of service within the office of the mayor's office.

>> Mayor Reed: Sorry, your time is up. Robert Sapien, Jim stunkle, Kevin conant. Please come on down.

>> Good morning, rising to speak on item 4.5, which is yet to be addressed by the council, appropriate time for that?

>> Mayor Reed: That's fine, you can come back tomorrow too if you want, or you can speak now because we're going to take is up.

>> Okay. Just finding myself rising today as a member of the fire department, 20 year veteran a citizen of San José and wanted to share some operational concerns about the proposed cuts specific staffing reductions company reductions and the proposed dynamic deployment concept. Generally my concerns are that our current staffing levels already make it challenging for us to deliver the services that we are supposed to be delivering. We don't mead NFPA recommendations that these you cuts represent a drastic retreat from what we said we needed to do under the strategic planning efforts. The dynamic deployment concept is really just that for us on the operational level, a concept. We have been told over and over again that our data collection systems are unreliable, and yet, we're looking to implement a data-driven system. That this data-driven deployment system will be overlaid over an existing similar ambulance system, our chance of missing a call will decrease because we have doubled the deployment model which is a best-guess system. That we haven't heard of an effective training model that will be implemented now that we have fewer resources to take out of service for training purposes. My biggest concern overall as a 20-year veteran and this is a point of great pride to me is that San José firefighters will continue to do the best they can from the resources that result from this budget process. While that's a source of pride it's also a source of great concern that their best effort may no longer be good enough to reach saveable lives and their lives may be at risk.

>> Mayor Reed: Sorry, your time is up. Jim conant Mark de Castro.

>> Mr. Mayor, members of council, it's my privilege to be here to speak to you as a 28 year veteran of the San José fire department. Battalion chief for 13 years in the City of San José, privileged to serve the city and I'd also

like to express my grave concern about the dynamic deployment model, and some of the implications about it. I know that our senior staff staff is working very hard, they are compelled to do so because of the severity of the budget situation, we acknowledge that, the analogy of the car and the tires, we feel that, and we all feel that pain. And with respect to the good work that they are attempting to do to help bring public safety to meet needs and also, reduce budgets, this dynamic deployment model is not vetted out. The comparisons with other agencies are not similar to San José, they're not metro, their call volume is different, their response model is different, their staff models are different and it's not San José. Therefore, the implication that something far away on the other side of the country could maybe work here is a stretch. This proposal in the model says it will continue to be evaluated it certainly needs to continue to be evaluated. Also in the dynamic deployment is the reference to elimination of a truck company and staffing levels according to NFPA standards, I offer an NFPA darned copy and from this it doesn't match unfortunately the documentation here. What we'll find here is in cities like San José the NFPA darned is not four persons on a truck but it's five or six. And the statement that the elimination of a truck company which we're already below truck service levels in this city, we're already below national standards in this city, even the national standards of arriving within eight minutes 80% of the time is not a national standard.

>> Mayor Reed: Sorry your dime is up. Pass that over to the clerk, and she'll make sure it gets distributed. Kevin Conant, Mark de Castro, Mark O'Connell.

>> Thank you, Mr. Mayor, City Manager and council. Kevin Conant, I come to you as a 32-year veteran of the fire service and a senior battalion chief for the San José fire department and have currently been assigned the last ten years in the downtown. I want to echo the concerns of my colleagues and would I like to remind you that in October of 2001, the fire department senior staff presented to this body the city council an executive summary of the master planning strategies and this body accepted that plan, and adopted the response time performance as a policy, which created the framework for with which measure O was written, in which we gave our commitment to the people of San José, that if they would trust us and invest in public safety, we would attempt to meet those response time standards. With the completion of our last fire station, we are coming to the place of getting close to meeting those standards. Which is a San José adopted standard of eight minutes, 80% of the time. The national standard is, eight minutes, 90% of the time for the entire effective firefighting force. Not just the first fire company. I'd like you to consider and maybe refresh your memory to this council body adopting that as policy, making that commitment to the public, and considering what these cuts will do, in terms of reducing public safety, making it more dangerous to be a resident, going against the stated mission of the Public Safety CSA, and San José further degrading from being the safest big city in America. Thank you.

>> Mayor Reed: Mark de Castro, Martha O'Connell, JosuÈ Garcia.

>> Good morning, my name is Mark de Castro I live downtown in district 3 and I am a 20 year city employee with the city attorney's office. It is because of the considerable affection I have with the city organization and a large investment of my life along with a sense of sadness and urgency that I am compelled to speak to you today. Until today I have never witnessed such an erosion of employee morale. The city's so-called negotiating team is making a mockery of the entire negotiating process and as such is exposing the city to possible claims of bad faith labor negotiations. The team has masterfully undermined any residue of allegiance and loyalty that would otherwise be available. Job well done, bravo. And while it has become fashionable to pander to the media and the public with misinformation one should keep in mind a large number of city employees live in San José and vote and many have spouses significant others children other family members neighbors and friends who also live in San José. And vote. Thank you.

>> Mayor Reed: Martha O'Connell, JosuÈ Garcia, and I'll go back to Christy No.

>> Martha O'Connell, speaking as a citizen and not as a member of the senior commission. First of all I'd like to thank Councilmember Constant for being one of the prime movers in the meeting that we're having later today on the senior nutrition task force, thank you very much Pete for doing that. I felt it was important, I know you've heard this message before but I feel it needs to be repeated and repeated and repeated, and that is, I know you know that for a lot of the seniors, the meal that they get at the senior centers is the only hot meal that they get. I don't know if you've also been told that for a lot of these seniors they've been little plastic containers and they divide that dinner up and they divide that up in a little plastic cup to take home for dinner. And in a lot of the centers they give you a container of milk and an orange and they're putting that in a bag to take home because that's all they're

going to have for dinner. I want you to encourage you to retain these programs. The phrase, golden years in the golden state is becoming nothing but a mockery for many of the seniors in San José and I'm asking you to please retain the City's senior nutrition programs so that that phrase can once again become a reality. Thank you.

>> Mayor Reed: JosuÉ Garcia I don't see Christy no, Rachel Taggert, Charlie Chan.

>> Honorable mayor, and members of the city council, my name is Christy No, and I'm a workers compensation claims adjustor. I stand before you again this year because my position has once again been slated to be cut in the upcoming fiscal year. As I did last year, I urge you not to eliminate this essential position in the HR department because the cost savings associated with eliminating even just one work comp adjustor will not be beneficial for the organization in the long run. Lest adjustors will result in additional costs incurred in the form of late payment penalties and additional time off for employees due to delays in medical payment. The work comp program has also been identified for possible outsourcing. Therefore it does not make sense to cut any positions in the work comp program at this time because any changes would not accurately reflect the amount of staff required to manage ought of our claims. In a personal note, I have been employed by the city for almost one and a half years now, granted that it's been an emotional ride due to all the budgetary reasons, I'm still glad that I've made the choice to work for the city in which my family and I reside. I know that you have a difficult task ahead of you to balance the budget but I ask that you seriously consider your decisions as they will ultimately affect thousands of people and their families. I have thoroughly enjoyed working for the city and hope that you allow me to opportunity to continue to do so. Thank you.

>> Mayor Reed: Rachel Taggert, Charlie Chan.

>> Good morning, I am Rachel Taggert. I am here to make an appeal on the recommendation of eliminating three workers comp positions. While we recognize that the city faces a challenging economic year, we strongly feel that reducing the current 14 workers comp adjustors will have negative ramifications. In 2007 some the council pursuant to an audit finding, projected to save the city \$10 million over the next five years. In a period of two years expected changes have already become apparent with the hiring of the new adjustors. Efficient and proper management of claims due to a surge ini settlements and co-share of claims and most specifically timely and appropriate payment of indemnity and medical benefits. These changes have resulted in thousands of dollars of savings and this is expected to continue if the city council is willing to stick to its original objective when it initially approved the hiring of additional adjustors in 2007. On a personal note I am also here for my family most especially for my first born who is a month away from his first birthday. We have been talking a lot about figures but we have not really looked more closely into the lives that will be affected and impacted by the so-called objective of closing \$116 million budget deaf. I am therefore calling for the city to come up and be open to more creative solutions in solving this problem. Laying off hardworking and dedicated employees surely is not the only solution to the problem. Thank you.

>> Mayor Reed: Charlie Chan.

>> Good morning, I am Charlie Chan and I am one of the workers compensation adjustors directly affect by the proposed position cuts early off. Given the current situation and hardship faced by all of us I fully understand that you need to make cuts that will affect us city employees. But the elimination of employees in a department that is already understaffed is not the best long term solution to the problem. We are already working at more than the state recommended caseload per adjustor. Cutting our staff would increase the workload of those to be left behind by almost double. Make processing longer, with the lower quality of work, due to less sometime for detail, delays will be a factor and costly delays will be unavoidable. Due to the impending layoff we already seen an influx of claims from various departments, and we expect more when the layoff becomes a reality. This would mean more work for the workers compensation staff. I hope that the city council will stick to its original objective when it originally approved the hiring of workers compensation adjustors way back in 2007. It is a surprise that while there is an ongoing business case analysis to outsource the workers compensation department and the proposal requires 14 adjustors, they are also recommending cutting three positions. This is clearly not reflective of the actual situation. I hope the council will reconsider keeping our positions while they are still in the process of making a decision, whether the department will be outsourced. About I love my work and now that's that it is threatened I am scared for my family and situation as well. I hope you will allow us to keep our jobs, thank you.

>> Mayor Reed: That concludes the public comments. Before we go to Public Safety CSA, we got one more? Come on. Just tell us your name because I don't have the card.

>> My name is Juan Garza, with the joint electrical industry fund. I'm here to speak in respect to the office of equality assurance. This office, while many of the departments before you, their slated to cut, deals with other folks in the city, and that's the workers of this city, and that office deals with recovering wages that they are promised by the contract, the contracts with employers. Moreover, that office, in terms of when they find violations, they recover treble damages. So take that into consideration. But there's some things in terms of these times that you also need to consider, in terms of counterintuitive. This city contracts with many employers who bring in people outside the city. City could simply and lawfully require that the apprentices that they employ are residents of Santa Clara County. Plain and simple. You all can do that. You can strengthen your economy locally by requiring the dollars that you spend by employing local people. That's all you got to do.

>> Mayor Reed: That concludes the public comments on the section before we go to the Public Safety CSA, Councilmember Constant I think had a question.

>> Councilmember Constant: Thank you, mayor. I was just wondering if the City Manager could address the workmen's comp issue, and maybe the City Auditor would opine, as well. If we recently increased staff, in an effort to save \$2 million a year over a period of five years, a total of 10 million, how do we reconcile cutting those positions to save money?

>> City Manager Figone: You know, Sharon can certainly jump in if she has the answer, otherwise we can respond in an MBA. It is my understanding those positions were added a few years ago to try to get the claims processing kind of ahead of the curve. Before I arrived as Manager. Again none of these are ideal proposals, as John said some of the claims are down. In weighing bad options we felt we could bring that forward. Sharon do you have anything you can add? Otherwise we can respond by an MBA.

>> Sharon Erickson: I know that in previous audits we identified that the workers comp case load per adjustor in San José was much higher than other jurisdictions. And it's a gamble to invest in prevention. So the thinking was, if you invest in responding immediately and quickly on a workers comp case, can you reduce cost? I believe HR has seen those kinds of reductions. But they are very difficult to measure because each worker's comp case is different. It is an investment and I'm quite honestly, I mean as we watch all of this happening, we can't help but be sad and dismayed that improvements that we've put in place we're having to dismantle. I don't know how you make those tough decisions.

>> Councilmember Constant: I think my concern is, for someone who is unfortunately all too familiar with our workmen's comp program, I give a recent example. As you guys know I just had neck surgery last year. As part of my ongoing problems I've had from my injury from the police department. And virtually every time a claim comes through it gets denied three, four, five times and gets through this long drawn out process for doctors having to do reports and billing the city for their time and utilization review having to see the reports again and making a determination and going on and on and around in circles. I really think if we're looking at efficiencies it would be in means of streamline that system and smoothing that system out. Just from personal experience, I haven't had one that was denied that wasn't ultimately approved after going through months of paperwork exchanges and multiple agencies looking at it and all these things that, that from a worker's standpoint, complicate your injury and take you longer to recover, and longer to get treatment, and sometimes you get permanent problems. I know I probably go into too much detail here but on a personal case here, I have one that's pending now that just got approved over a nerve impingement issue, that the longer you wait, the more likely you are to have permanent nerve damage that leads to lifelong disabilities, yet we drag these things out which I'm sure raise up the cost of caring for our employees and ultimately get them to a point where they end up being physically disabled for a long time if not for life. I think that anything we do in the area of undoing the sum of the improvements that we have, to smooth things out or to quicken things up is really short-term solutions that have long-term negative ramifications. Very costly ramifications to both us as employers, our health care cost and our retirement cost. And I think that's where we should be looking to save money, not going back and re-- undoing things that we just did to streamline the process to make things flow smoother.

>> City Manager Figone: If I could, I do think this warrants a follow-up councilmember. You raise very valid points and what we're trying to do is to ensure that the valid claims on issues such as yours and those many employees who have been injured on the job and need to receive the highest level of service are dealt with. And at the same time, attack some of those underlying costs to the system. We have had a team looking at areas and quite frankly, there are areas where they're driving costs up maybe not for legitimate reasons. I know we're trying to put emphasis there. So I think it would be good if we get the staff to do a follow up memo just to give you a sense for how we think we can sustain these reductions and not erode the service that you've described.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. I'm always interested in anything, any kind of ability for us to hire locally. And I've been told, repeatedly, we don't have a whole lot of control over that. But I was -- I am wondering about what was brought up here in terms of requiring contractors to hire the apprentices locally, if there's any-d do we have any leverage in that? I would just like to have staff come back with an answer to that. So I am interested in that. We have a 13% unemployment rate. I want to see folks here employed. I'm committed to that. And committed to saving services and jobs because that means jobs here at the city as well. So in any way we could - - if there was a possibility to do that or have some reasonable way that they would at least have to make -- show effort at hiring local if we couldn't make it mandatory, some way of moving in that direction I would support that.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. I just wanted to follow up on Councilmember Constant's comments and you know we just had a retirement board meeting this morning and discussed some issues that we see as recurring issues that may very well be systemic in terms of how we can improve the process. And I know that a lot of the decisions that we're going through right now as far as what kinds of cuts to be made, whether it's the City Auditor's office, the city attorney's office, what have you, are really short-term decisions that we may very well know in the long term could have some pretty significant impacts, in terms of the workers comp, I feel that a lot of those impacts are very short term impacts as well. They're not necessarily just long term impacts. I know you have a bottom line we want to try to meet but it is very challenging to understand you know where the cost savings are other than simply in the personnel, the salary savings and so on. When in the very short term, we may realize some significant cost increases by not having the personnel to process the cases appropriately. And to give this service to employees but at the same time, make the process as efficient as possible that does take those bodies as well. As I know the City Manager indicated a follow-up with Councilmember Constant and I appreciate that but I share some of those same concerns and again it goes back to the challenge of giving a hard number to each of the departments, you have to meet this number, giving that hard number and kind of having that approached through all the departments when it doesn't necessarily reflect evenly, and in the same way, across each of the departments as I referred earlier to the city attorney's department. Thank you.

>> Mayor Reed: Thank you. It's time to move to the Public Safety CSA. We only have a few minutes but that will be more than enough to ruin your lunch. So come on down and make your presentation or at least get started on it and we'll certainly finish up tomorrow with the discussion.

>> Rob Davis: Good morning, mayor and council we're ready if you are.

>> Mayor Reed: All right, take it away.

>> Rob Davis: Again, good morning, I'm Rob Davis. I'm the chief of the San José police department. Joining me at the stand is fire chief Darryl Von Raesfeld, as well as acting independent police auditor, Shivaun Nurre. Basically what we'll do at the very beginning is just outline the outcomes that we expect in our CSA as well as our core services, and then we'll break down into some of the proposed cuts and what the outcomes will most likely be. As you can see, the Public Safety service area is focused basically on responding to crime, fire, emergency medical, hazardous, and disaster-related needs of the San José community. Public safety outcomes include the public feel safe anywhere any time, in San José and that the residents share the responsibility for public safety.

>> Darryl Von Raesfeld: And the next few slides will cover the core values for each of the public safety CSAs. For the fire department, the core services center on emergency response and prevention. And last year, when the office of emergency services came under the management of the fire department, along with that came the coordination of emergency preparedness and planning. Due to the significant reductions last year to the budget in OES there are no cuts proposed there this year, and the proposed four cuts in fire center on emergency response and prevention will be outlined later in the presentation. I'll turn it over to Shivaun Nurre for the independent police auditor presentation.

>> Shivaun Nurre: Core services of the Independent Police Auditor's office is to provide independent police oversight through the audit of IA investigations to ensure that they are thorough, complete, objective and fair.

>> Rob Davis: For the police department very briefly you can see that our core services are to respond to crime, and as well as community education, and respond to calls for service. We provide investigative services through our detective bureau. We provide regulatory services as well as staff special events in conjunction with other city departments. The CSA's key service areas and priorities include maintain the safety of residents throughout the city, clearly continuing to provide quality police response and visible patrol throughout the city as well as the effective and timely response for major incidents. We conduct effective intelligence led initiatives that seek to align police resources with crime issues through the use of the crime data that we generate for our crime analysis unit and other resources. We continue to work with the community to align resources with neighborhood problems as seen through our SNI efforts as well as the mayor's gang task force efforts. We continue to work with key stakeholders and implement community safety and we monitor the implementation of staffing and program reductions to address any unintended consequences that may arise.

>> Darryl Von Raesfeld: The next slide here goes over the key service areas and priorities of the fire department. Our first and foremost goal is to continue to provide the high quality fire suppression and medical services that we are known for. This key priority was listed as a level 1 program in the program priority level ranking from the program prioritization that was conducted earlier this year. Fire prevention activities were mostly covered in the CED presentation to you on Monday with the exception of public education which is impacted by a proposal in this reduction. Within the office of emergency services, we will continue to provide the capabilities of the city to respond to major disasters and widespread threats to public safety by ensuring the EOC is functional as well as preplanning for these types of events. The city's involvement as a leader in the Bay Area urban security initiative, UASI, also remains one of our highest priorities to ensure that we continue to get our fair share of these grants. While the proposed emergency response reductions outlined in the City Manager's budget are significant, the implementation of the dynamic deployment model will help mitigate these impacts. Dynamic deployment is very similar to systems status management used very successfully in the private sector for ambulance providers since the 1980s, and I'll provide further details of that later in the presentation. The department will also focus on further developing our records management systems to improve our data collection capabilities. While staffing issues have slowed the process in this area this program is evolving and will continue to work to ensure that the data enter and extracted is accurate. As with all reductions citywide the fire department will continue to monitor the implementation of staffing and program reduction using verifiable data to address any unintended consequence that may occur. I'll turn it over to Shivaun Nurre for the IPA.

>> Shivaun Nurre: And we will continue to provide independent audits of external police misconduct complaint investigations using that data to provide reports to the council on annual basis and identifying patterns and trends on which to make recommendations.

>> Darryl Von Raesfeld: The next few slides we'll talk about the budget actions related to the public safety CSA. The impacts of the proposed budget action are significant for the fire department. With the past several years focusing on administrative positions with very little impact on emergency response, this year we cannot avoid emergency response reductions. We have forwarded \$14.6 million in reductions as our target, about 10% of our operating budget. With about 95.3% of our operating budget being personnel cost, reduction in personnel is unavoidable to achieve the target, and it can impact up to 90 sworn and a few nonsworn positions. The five proposed engines and one truck reductions are significant and make up about \$12 million of the proposed reductions. While we were able to add three engines and staffing since 2007, the San José fire department still has a low staffing ratio when compared to other fire departments, and these reductions make us much leaner. I believe the men and women of our fire department are the best and provide exceptional emergency response on

a day in and day out basis so these reductions are not proposed lightly. Also keeping in mind that the emergency responses ranked as one of the number one priorities in the program prioritization make these cuts difficult. The reconfiguration of our hazardous incident team removes two firefighters from this unit and attaches the two remaining members to truck 29. In 2003, budget action removed these two positions and grant funding was used for a couple of years until the positions were reinstated. With the very comprehensive training program that has now trained all personnel at station 29 to a higher level than in the past, this move will make more efficient response of the hazardous incident team based on call volume and actual response capabilities. All in all 90 sworn positions are proposed for elimination. We believe we can look at our staffing levels on trucks, looking at possibly going from four to five on some of our trucks, and still remain in compliance with the national fire protection association standards, as well as recent scientific studies and recent surveys. Truck staffing will help maintain the apparatus and the physical resources to cover the ground and respond. Lastly, one other significant impact to our public education program while this was related at a level 4 in the priority level ranking is the elimination of our public education program and outreaching to the public. We are looking at some consolidation with the OES San José prepared program to help take over some of the current program, but it won't cover all of it. These and other cuts, such as the elimination of one recruit academy and other smaller adjustments to 40-hour staff positions include the total 14.6 million. However, the significant and more visible reductions occur in emergency response, some of the service level impacts to our emergency response capabilities will see an increase in engine response times as well as reduce capacity when spikes in service or when multiple alarm incidents occur. Mutual aid will be used more often, as well as the mitigation provided by dynamic deployment. And I'd like to take just a few minutes to talk about the dynamic deployment. The implementation of the dynamic deployment strategy does bring on four additional personnel to implement the program and to provide the oversight to ensure real time moveups occur and to cover any coverage gaps and address those in real time. The managers budget addendum 4 provides an overview of this program and was issued yesterday. There are three supervising senior PSDs, public safety dispatchers, and one battalion chief added to provide oversight to this program to ensure the business rules work properly. Life mum, which is a software program that ties the computer aided dispatch system and provides for real time look at city map and identify where these gaps in service coverage are occurring and to make recommendations for the move-ups to cover these gaps. This software is in use by numerous fire departments and metro departments across the country. San Diego, Alameda County, Nashville, San Francisco, L.A. County use it in various states right now and they use it to various degrees. We plan on looking at it and having a real time monitor of the situation and putting it to better use than some other cities have, but there are some cities that are using it like we have proposed. With these proposed reductions in implementation, we can no longer delay putting this live mum in place. We've had it for over a year. We just haven't the had resources to put it in place. There is about \$60,000 in software work that's being done now to get our automatic vehicle locating system up to speed on broadband, and to get it tied to CAD, and we do have a timeline that I've provided in the MBA that shows you the time line for implementation of this. The proposed reductions are significant. And if concessions and other structural deficit solutions cannot be achieved, the utilization of this dynamic deployment model will allow for a better response of the remaining resources and is the best solution for the community and firefighters. Shivaun.

>> Shivaun Nurre: The impacts to the IPA office are three: Namely, reduction of personnel cost, elimination of overtime funding entirely for the office, and reduction of nonpersonnel and equipment. But currently we are not facing the loss of any fully funded position in the office. Chief Davis will address the next slide.

>> Rob Davis: Thank you. As I begin to describe the impacts of the budget actions on the police department, I would like to make mention of the fact that we have not taken the proposals that are in this budget lightly. We understand the level of impact it will have on the operations at the PD and citywide as well as how we interact with our other departments. But we are, indeed as the other departments are, at the ninth year of cuts. Indeed, this is my seventh year personally of being before the council describing how I'm making cuts within the department. So the proposals that you are hearing are coming after many, many years of cuts that have already taken place which might help explain why it is that this is what's left for us to attack. Proposed reductions for the police department total approximately \$26 million. The proposed budget reduces police services and staffing throughout the department. A total of 162 sworn positions are being proposed in all four bureaus and 1137 civilian positions are slated for cuts. For the first time specific cuts in patrol sworn staffing has been proposed for elimination which reduces patrol staff by about 90 positions. Additional sworn reductions are proposed in various investigative and special operation units, including the vice unit, auto theft, assaults, robbery, the metro unit, the downtown services detail, sexual assault, family violence, financial crimes and the high tech unit. These

reductions will increase the number of cases each remaining officer will need to maintain, will reduce the solve rate of specific crimes, will cause delays in contacting victims and witnesses, and will increase number of cases not assigned due to lack of resources. Reductions in crime prevention eliminates three vacant sworn positions in the school liaison units, three officers in the police activities league and reduces approximately 20% of the school crossing guard program eliminating the lower risk intersections. The internal structure of the department will drastically change as well as the services provided to the community, units that support patrol will need to be realigned or restructured to continue to provide support to the patrol functions. Unfortunately the focus of the department will begin to shift from one that is decidedly proactive to one that relies more to reacting to the crime that has already been committed. Additional changes in the budget include postponing the opening of the substation, which will delay the realization of any efficiencies expected with occupying the building. Also, the elimination of the community services division consolidates the management of crime prevention and community services under the bureau of field operations administrative unit. Crime prevention programs will be delivered by limited crime prevention staff and through alternate delivery models. The elimination of the warrants unit sworn staffing requires utilizing contract services for in-state prisoner transports. We will also be consolidating management and merging units within the bureau of investigations to include, for instance, merging the high tech units into the financial crimes unit. Proposed reductions in investigative staff can reduce proactive services to the community. However, and I think it's a comment you've heard from all the department directors as well as those of us here at the table, is that it is imperative that the work that we do and that we complete will continue to be of the highest quality. We will take those resources that we do have and ensure we are doing the very best with what we have. It will be critical that the various units change how they prioritize and manage case assignment to ensure the most critical cases -- that the most critical cases will be worked. The department will also need to adjust various thresholds on particular cases as the capacity to investigate cases and perform special operations at the current level will be diminished. Less critical cases will have to go on uninvestigated. Additionally, should we be moving into the tier 2 proposals, this would further reduce patrol staffing by approximately ten additional officers, increasing the total reduction in patrol to 100 officers. In addition, the crossing guard program would be further reduced by 36.5% or 70 crossing guard positions, eliminating the moderate-risk intersections. Thereby bringing the total cuts in tier 1 and tier 2 for the cross guard program to approximately 57%. Again, in summary I'll make a few comments, and then I'll turn the microphone over to Chief Von Raesfeld. These are drastic cuts, and we all recognize how drastic they are. But again, our commitment as a professional police department is to take the resources that we have and provide the very best service that we can to the city, realizing that we're going to have to be allocating or reallocating our resources on the fly depending on how it is we begin to see there are impacts to what it is we do. So it will be a challenging year, but again, you've got the most professional police department in the country to try and deal with those challenges.

>> Darryl Von Raesfeld: Just to echo on that, with the fire department these cuts are not taken lightly. They are very difficult proposals that are before you and have significant impacts. And we will do our best to monitor them and do what we can to mitigate any of the reductions that you might see from the elimination of some of these resources, hence the dynamic deployment strategy that we can talk a little bit more tomorrow when we get into discussion of it. But that is a strategy that we've looked at, and we will continue to outreach to the community. But I will tell you as I get to visit the fire stations and talk to the individuals impacted, it is a very personal thing for these members that are potentially to be losing their positions. And we don't take that light when we proposes these, and look forward to further discussion.

>> Mayor Reed: That concludes the presentation. We're not going to get into discussion because we are out of time for this morning, but we'll take it up at 9:00 tomorrow morning. But we're adjourned until then.