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>> Mayor Reed: Good morning! Good morning everybody. Please grab your coffee and doughnuts and whatever it is and have a seat and we're going to try to get started here in just a minute. Got a lot of folks here but got a lot of tables so there should be a spot for every organization. That's the way it's supposed to work and I believe it will. But we need to get everybody to take those seats. So we can get started. I'm sure we'll have a few stragglers coming in along the way. I love to get started on time because I love to end on time. And the best way to end on time is get started on time. Especially on a Saturday morning, that's probably not early for most of you but it's an early part of the day. And we appreciate everybody coming out to participate in this. This is a kickoff of a six month long process of developing a budget for the City of San José. And we've been doing this since I became mayor as part of our community based budgeting process. So I'd like to know how many of you have been here for this session, since, well, five years ago? How many of you have been here for all the sessions? Okay, so we've got some veterans here. How many of you, this is the first time you've participated in this event? Looks like about 50/50. That's a good mix. This event as I mentioned fits into our community based budgeting, which is going to go on and on and on and on interminably sometimes, it seems. But nevertheless, we will produce a budget, on time and on budget, because we're required by law in the charter, and sometimes it's easier to do when you have to and have no choice, which is certainly the case here. But before we get into the program I want to introduce some of the folks that have joined us today. I'm going to let -- Ed Shikada will introduce department heads and some of the city staffers, when he's up here next, but I'm going to pick off the councilmembers. Councilmember Pete Constant, councilmember Pierluigi Oliverio, councilmember Don Rocha, who else, any other councilmembers here? We'll have some others that will join us later this morning. So thank you for coming out. Councilmembers are here. This is an educational process for all of us. There are many, many department heads and other city staff who will participate in this. And you are a key part of the input of how we develop our budget. The basic objective of a community-based budgeting process is to have high confidence that when we're done with a budget that we reflect the values and the priorities of our community. And so we don't just have this session. There are many other things we do in order to get there. We are-d some of you have probably taken a poll. We do annually a statistically reliable, valid, scientific survey, also known as a poll, of the entire city. Voters and nonvoters are included. To give us a gauge of what the priorities are for the entire city. It may surprise you, but you are not necessarily reflective of the entire city. People who come to meetings sometimes have different opinions, than people who don't come to meetings. But it has been I think interesting, and the

remarkable similarities between what comes out of this group and the community priorities as a whole. So as neighborhood leaders you're pretty much in touch with your neighborhoods and what are the priorities of the neighborhoods. That's why we get you together early in the process. But this is just the beginning. We have a lot of other steps that will go along the way, I'll come back to those so you'll have an idea of where else you can participate. This is not the only opportunity. The backdrop, since I've been mayor we've done this every year we've faced difficulties in the form of budget shortfalls and this year is no exception. We're not sure what the size of the gap will be yet this year because it's still early and we're dealing with projections and forecasts and things like that but we will have a significant budget gap this year, ballpark of \$25 million, probably a little more. It always seems to get larger during the process. But not nearly as last year's 100 million dollar number. So that's a bit of good news is, it's not as bad as it used to be but it's still bad. But I think there is optimism and I think we are at a point where we can begin to look at the problem a little differently. And you will be perhaps surprised that the exercise we're doing this morning is an exercise about what are the priorities for restoring services? Before we get to that, I want to just go into the background a little bit. So up on the slide is the largest single factor to the deficits and the shortfalls that we've been running for years. This is a decade's worth of retirement cost increases. \$73 million, ten years ago. Less than 10% of our General Fund went to retirement cost. This year, \$245 million. More than 20% of our General Fund. That is an enormous increase. And those are not projections. Those are not actuarial assumptions. Those are just the real numbers. Well, what's happened? How do we cope with that? Well, revenues went up a little bit during the decade. We had some increased revenues, modest increases in the revenues, but not nearly enough to cover the increase in cost. This is what drove us to the next slide. Can you see that we coped with this increase by shrinking our workforce and reduction services to you and your neighborhoods. 2,000 people, 2,000 positions gone. Reduction in services across the board, no department, no part of the city, escaped reduction in services. And that's the impact of these skyrocketing costs. There are other factors, of course. But by far the largest was the retirement costs in magnitude and impact. And to give you an idea of what that meant in the departments, let's just look at the police department. So public safety is a core service, there's no doubt about that. It's been my highest priority, the council's highest priority and the police department budget has gone up by nearly \$100 million over the last decade. It's a high priority. It's a core service. So we have put more and more money into it. But yet, we have less people, less officers working for our police department, than we had ten years ago. So even though the budget's going up, the number of people and

the services are going down. And that's a direct result of expenses going up much, much faster than revenues. Even though we put more money into it, we couldn't keep up with the skyrocketing cost. If you look at the other departments, you'll see similar kinds of charts, except some of the departments that budget number is negative, not positive. And so they've suffered much larger reductions in people, and you've seen that in our libraries, that are now part time. You see the libraries that are locked up. And you know the impacts of services in your neighborhood. So that's kind of the backdrop. Now, why do I think that perhaps today would be a good day to talk about restoring services? Well, because as a result of these problems, that last year the council adopted a fiscal reform plan and we're part way through the implementation of that fiscal reform plan. We all, as city employees, including me, councilmembers, City Manager, City Attorney, everybody, took at least a 10% reduction in total compensation. Not just base pay. A 10% reduction in total compensation. That saved us a lot of money. And we shrank the workforce and laid people off. As you know last year we even laid off police officers. Well, that's had an impact of bringing costs per employee down, and it's had an impact on bringing retirement costs not down but moderating the increase. That's part of the fiscal reform plan. But if you look at the stems in the fiscal reform plan that lay out in front of the council over the next few months, and you look at how much money do we need to cover the budget gap over the next couple of years and to restore services to what they were a year ago, and open up the libraries, it's about \$100 million. It's a combination of budget shortfall, just to cover operating expenses, and to restore those services, about \$100 million. The fiscal reform plan will generate about \$100 million. Now I'm just using ballpark numbers because a lot of projections, lot of assumptions. But if we can get the \$100 million through the fiscal reform plan, I believe we will be in a position where we can restore services. Now, the fiscal reform plan has elements that need to be implemented, and the council will be wrestling with those and having to make tough decisions, things like eliminating sick leave payout, adopting a lower cost health care plan which affects employees and retirees and in June you'll have a pension reform ballot measure in front of you to make some changes to the pension system. So if you add up all of the things that we still need to do, you can get to about \$100 million including a quarter cent sales tax which might be on the ballot in November. So that's the plan that we've laid out. But if we can implement the plan, we should be able to begin to restore services. So today, we're going to ask you to have, you know, put your ideas on the table, for what are the priorities for restoring services. We don't know if we're going to be able to restore those services come July 1st or next January or next July, because all of these things have timing issues. So you just have to

give me a little bit of slack, because things are a little bit loosey goosy. I can't tell you exactly what we're going to do or exactly how much money we're going to have. But we're moving in the right direction and this is the time we can be a little bit optimistic, think a little bit ahead about being able to restore those services and do things we all want to do that we haven't been able to do because of these huge cost increases. So with that as the overview, I'm going to turn it over to Ed Shikada who will talk a little bit about this budget year, and the elements of this year's budget. But I'm really asking you to take a two-year view. And we'll have this simulation, hate to call it a game, that's something much more than a game. And Luke Coleman and innovation games are here to help us with that. We appreciate their creativity and innovations, helping us to run this program. Those of you who are here, know we've done everything different every year. We're always trying to figure out how to make it better. If we get feedback from you and the participants and we try to improve it the following year. So hopefully after five years we've gotten it right. But if not, we'll be doing it differently next year, I'm sure of that. So with that I'm going to turn it over to Ed who will give you a little bit more specific data and introduce some of the city staff that are here and then we'll turn it over to you to do your work and we'll have a report-out period and we'll see what happens. All right Ed, thank you.

>> Ed Shikada: Okay, thank you, Mr. Mayor. Once again my name is Ed Shikada, I'm the assistant City Manager. Unfortunately, our City Manager Debra Figone is traveling today. So was not able to join us. I know she really wished she could be here, because she really both enjoys this particular event, as well as in general, appreciates the input and discussion that she has on an ongoing basis with everyone here. I will come back in a minute, though. We have many of our key staff who are also very interested in hearing your questions, the discussion, and taking that as input as the City Manager you puts together her proposed budget. As the mayor pointed out and in fact actually he covered much of the material I needed to, so the information's already out there. So there's just a couple of key points I want to hit. As the mayor pointed out, we do have a charter requirement for each year, each fiscal year for us to balance the budget. And as a part of that process, the City Manager, by May 1st, which issue a proposed budget that takes this input as well as additional direction that comes from the mayor and city council in order to put together a balanced proposal. And that will then come back out to further community discussion, and ultimately leading to the city council's deliberation and adoption. That's old news to many of you. Many of you are very both engaged and familiar with that process. So we won't talk

about the calendar. But we can certainly get to that if there's of any interest. I would simply like to point out, and perhaps just to amplify a couple of points that the mayor made, that the reductions that have happened to date have been significant, nearly 30% reduction in city workforce. That each one of you have lived. The impact of that in terms of the services that have had to be cut. As a result, there are the facilities that the mayor mentioned, the libraries that are not open, we also have community centers and a police substation that are constructed, not opened yet. And so we are looking forward to being able to come up with the strategies that will help us deal with that. Couple of just caveats as it relates to the exercise that you'll go through this morning and how it relates to our real world, in implementation. First, in terms of the revenues that you'll see some revenues that are part of the mix, part of the menu of options that you have to work with. The caveat I would leave you with is, unfortunately, or fortunately, depending how you look at it, generating revenues especially in the form of taxes that require ballot measures take time. There is a great deal of lead time required both for the development of specific proposals as well as getting items open the ballot and then often, inevitable challenges as the case may be and then ultimately leading to the generation of revenue. So the timing of actual revenues is unfortunately a complication that makes it difficult for us as an organization to count on when we need to on a fiscal year basis balance that budget. So that's one. The other is, that while we are very pleased to be talking about a potential restoration of services, you do have one example of the infrastructure challenge, and that is in the area of street maintenance. Street maintenance is a large portion of our infrastructure backlog but by no means the only component of it. We have facilities, we have technology, we have other general infrastructure assets on the order of \$1 billion of infrastructure asset backlog that is, as of yet, unfunded. So want to put that as a part of the background recognizing the significance of the challenges and unfortunately, things that are just not on the table. Because if we put that on the table you might have to throw up your hands and say I'm not sure what we can do with that. With those caveats I just want to come back and note some of the senior staff that we have here. I know we have a number of department technical experts on a variety of subject matter so let me just introduce the department heads, senior staff and the council appointees. I'm going to take a shot at going around the room and if I miss anyone, wave at me so I make sure I catch everyone. Norberto Duen,,s deputy City Manager. Let's see Leslye Corsiglia our director of housing. Dennis Hawkins our City Clerk, council appointee. Also council appointee Sharon Erickson, our City Auditor. Director of environmental service, Kerrie Romanow, director of parks, recreation, and environmental services, Julie Edmonds Mares. Let's see, Jennifer Maguire, our budget director,

next to Kim Walesh our director of economic development. Let's see, Julia Cooper our director of finance. Let's see, Hans Larsen director of transportation. Jane Light, our library director. Chris Moore our police chief. Never standing in the shadow of Chris Moore, Willie McDonald, our fire chief! [Laughter] David Vossbrink, our communications director in City Manager's office And I think I picked up city staff, and Harry Freitas representing our Public Works pharmacist. I believe that's it in terms of the intro, and as I mentioned, we've got both the senior staff as well as a number of their key staff who are experts on the matters on the table as well as a variety of others so we look forward to serve is as resources. Let me turn it over to "like" Coleman and we'll coned with that.

>> Thank you so much welcome and good morning thank you for coming today. Today we're going to run a very similar session to what we ran last year. The goal of this session is to understand your priorities as Mayor Reed described. You will find, on the table, that there is a red set of cost reductions and funding or revenue opportunities. If your table chooses unanimously one of these items you will be given the money associated with that item to spend on the proposals that are in the green paper. The facilitators at the table will help you manage the process. They will handle the distribution of the money to you, but if you buy an item, if you want to fund a proposal, you must, at the table, give the money back to the facilitator. So it's like you're spending real money. Now last year when we did this activity one of the pieces of feedback that we got from the citizens was a request to submit new ideas from the community on new proposals for ways in which the communities can be improved. We added that element to the game based on your feedback. In the table you will find that there are project sheets. If there is something that you think is very important for the community or the city, you may complete a project sheet describing it. If you convinced the other people in the table that this is important, you can add it, as a funding item, to the game. However, there is a rule for your proposal to be considered, you must buy it as you are buying any of the other green items. So we both want your ideas, but for your ideas to have the same weight, as the other funding proposals, you must purchase them. A few final questions and then we'll get started. There is no requirement that you spend all of the money. So if you choose a revenue generation or a cost savings item, you do not have to spend all that money. It is a choice that you have, with your dollars. But I must stress: Cost savings and revenue generation items must be unanimous consent at the table. And that, our trained facilitators, some have flown from Portland, Oregon, Phoenix and New York to join us, are ready and eager to

help. You have until about quarter to 11:00 to make your choices. Go ahead and get started. [Work session] [Work session]

>> All right, so for everyone who is not yet done, you've got about five minutes to wrap up.

>> Hello everyone. If you could return to your seats for just a minute, we'll have a bit of a de-brief coming back to your tables. Come on back to your tables. And I think the first thing we should do -- I think the first thing we should do is everyone, let's give our room a round of applause! [applause]

>> Thank you so much, again, for your hard work. One of the table participants pointed out, he said gosh, this feels really hard. I said yes. He said this is more constrained than sometimes what the city deals with. And I said yes, indeed, it is hard. And you did it. You had a great table, Jim. We'd like to turn it over to you for a few minutes. We'd like to get some of your thoughts and feedback. We've got Kip and Steve with microphones. If we can get your feedback and perhaps your thoughts on how we can improve that in the future that would be great. We definitely would like to hear from some of the youth in the audience. It's very exciting to see the youth participate. [Laughter]

>> Steve, do you have a winner there? [applause]

>> Hello. My name is Max Chen, youth commissioner for district 4. So this activity, I've seen the difficulties that city council has gone through the last few years. It was definitely difficult trying to get each others' priorities aligned and we had some conflict here and there but overall it was pretty successful. We got most if not everything down on the -- yeah, with money left!

>> With money left. Can you share with the group one item that your team decided to fund?

>> Well actually we funded everything.

>> You funded everything?

>> Yeah, yeah.

>> How did you accomplish funding everything?

>> We made the necessary cuts.

>> You made the necessary cuts?

>> Yep.

>> All right, thank you so much! [applause] Steve, we have another.

>> Hello, my name is Leila Fruge, I'm a youth commissioner for District 10. And I haven't been here last year. It -- the experience was different, however, still difficult. One thing that someone pointed out on our table was that we really worked hard on saving things that already exist or opening things which are closed versus building which in our time of need maybe isn't so easy but I think overall we did a pretty good job. We worked together. We talked what we individually wanted, but at the same time, addressed other people's concerns. And it was a great experience and we saved a lot. We saved the hub centers and the MLK library and the gang prevention task force, and a lot more. So many I can't even list it all which is a good thing to say by itself. Thank you so much for this opportunity! [applause]

>> Steve, we're going to go with Larry and then -- oh no, we want to hear from everyone. We wanted to make sure we heard youth but we also want to hear from everyone! Over 30 can talk, absolutely. Over 30!

>> Okay, hello. My name is Miriam Cahn and I'm the City of San José citywide youth commissioner and I've been attending the budget priority session for the last three years, almost, and I remember the first one I attended, we

had to do the coins and put them in our favorite priority, whether it was public safety and economic development. I absolutely love the way the game has progressed. This has been one of my favorite budget sessions primarily because our table our tactic was to focus on the revenue generating opportunities first and the cuts and then we were able to pool our money together to save -- to put into our spending proposals that we sought that were necessary. And a big thing on our table was transportation. The funding the roads maintenance and then me being a youth commissioner I really wanted to make sure that our community centers and libraries were catered for as well as well as the gang prevention efforts that take place through those teen programs. So all and all very great discussion at our table. Thank you. [applause]

>> Hi, I'm Veronica Budd. I'm District 5 youth commissioner. This is my first year at the budget priority session. And it was a really good experience, an eye opener for myself because I got to see all the things the city council has to go through especially with choosing what everyone wants, and you can't cater to everyone's necessities but you compromise and also with the taxing the citizens it's really difficult and to seeing how much you're going to tax and if everyone will agree to that. So it was really good. So I think our table had good compromises and it was a really good experience. Thank you. [applause]

>> Good morning everyone. My name is Ty Grace, I'm with the Berryessa citizens advisory council. I just wanted to comment if your table experienced as mine, I was very surprised and gratified by the level of knowledge about the intricacies of city services and I was impressed by my teammates. And I share with the other commenters, that compromise came relatively quickly in the face of very different priorities.

>> Good. I would love to hear your table share a little bit more about some of the things that you were talking about, about city priorities. And how that helped inform some of your choices.

>> Jim Cantori, District 9. I'm a neighborhood commissioner there. What you just said is hard for me to address, really, maybe if you could sort of rephrase it, I'd address it.

>> Well, one of the things your table talked about was the idea that the city, among many priorities, the City's priority was to help businesses come into the city. And help grow businesses within the city. And I was wondering how that discussion may have shaped some of the discussions or some of the choices that you made at your table.

>> Well, I think that with respect to businesses, we looked at such things as the taxes on business, compared to other cities. And what we found, that you know, compared to the larger cities in the north, San José is a relative bargain. If you look at San Francisco or Oakland, that area. Now, compared to our peer cities closer in like Sunnyvale, Santa Clara, we're kind of on a par with them. But the overall idea of affecting the cost to business say \$150 to \$250, it's still not a lot of money. Yes, it is an impact on business. But we have to look at where we can pull in some revenue. Because, you know, to get to where my agenda is, I'm a neighborhoods guy. And budgets are, you know, tough things. But I think we have to look at it since I'm on the neighborhoods commission, is that what makes a neighborhood? You want to be safe. You want to know that you can live there. And you want to know that your security is not threatened. And I think we have to look seriously at what we can do to preserve our neighborhood and not just get lost in numbers. Numbers of that are in the budget. Because once the neighborhood goes, all you know is it's gone. And it's very hard to retrieve it. It's sort of like money that you've spent. And try to rebuild a neighborhood after it's collapsed you just can't. It's not going to be the same. So how does this affect other areas? When the city looks at decisions, let's say a piece of land might be worth something. And on the other hand, we offer subsidies to business. We got to realize in this city, we have a finite amount of land. And once it's gone, I've lived here since 1974, it's gone forever. Highway goes through, you lose everything that was in that right-of-way. Once you take care of a piece of land that used to have some sort of recreational value, it never comes back. And that contributes to whether you really have a community, whether you really have a neighborhood. It's kind of an abstraction but I think we can't lose sight of that when we're going through this budget decision-making process. [applause]

>> Tom Peramo, district 8 community round table. And I'm obviously not a youth commission. But I am also a neighborhoods commission. The thing that came to our table was, it was always the parcel tax versus the sales tax and the fairness of both those sides. And when you get down to it, I think if the city has to show a restoration

of services, and agencies, to the citizens of San José, if they are to get any hope of persuading people like at our table, we had different pros and cons on both sales and parcel tax, they need to show that we felt the pain, we've done the cuts. Now, we can restore a lot more back. And the benefits of either a parcel or a sales, this is what the city has to start campaigning, if they're to get any of these things passed. Because without the passage of these two -- one of these items or both of them we're basically playing -- we have champagne taste with beer money. We cannot afford to restore services or any level of services that we've experienced in the past without one or the other. And I think the city has to start strat -- I think we all have to agree the city has to strategize on getting one of these things passed. If our table is any indication of opposition or support for either one there's a lot of differing views.

>> Did your table pass one? Did you reach agreement on either one?

>> We had to put a -- we did, but we had to put a special addendum. The sales tax passed but all the money has to be used for roads.

>> Okay. [Laughter]

>> All the money. That's the only way.

>> So this is -- this is a -- this is a wonderful outcome from a feedback perspective. If you -- if you remember the primary goal of this is to understand, as a market research endeavor, the priorities of different groups. And so, it was an entirely valid outcome that your table could say we're passing this tax and using it this way. That was part of the design of the game. And as a minor point here, I had a couple of people ask me about all of our team in blue shirts, I would like to say for the record that all of the facilitators, all of the observers and all of the helpers are providing all of these services to the city completely free of charge. This is all pro bono work. [applause]

>> And since everyone is here, some people like Mark came from far away. Phoenix. So we've got people flying in, Steve came from Portland. Andrew came from New York. Ellen from Nevada. Right? And so -- and then we've

also got people who work for companies who are in the city. So Jenna and Eric, for example, work for Cisco. They are here and I do want to recognize the facilitation team. Because all of this is done pro bono because we also want to see if we can help, too. So thanks again to the facilitation team. [applause]

>> Hi, I'm Sin Deep and I'm district 1 youth commissioner. I came in here knowing very clearly what my priorities would be. And like when I saw the sheet, the -- the ones that stood out to me were the ones about the libraries and the community centers. And I had sort of anticipated I would have to try fight for them. For those things, that you know to try to bargain with my other table members. But as it turned out, we all did -- I think a really good job of really agreeing and most of the things that we put our money into was either unanimous or a vast majority. And like -- and so I think that the fact that we passed the libraries, we restored the four libraries and we increased the hours, is I think it's sort of also a message to the councilmembers, that these priorities of the -- of sort of community services, are things that are shared not only by the youth, but by everyone from all different groups, all different backgrounds, that really do value those services. So that's what I got out of this. [applause]

>> I thought this year -- I'm sorry, I'm Juan Estrada with Lindale neighborhood association and also district 5 United and really appreciated the things that we got to discuss and vote upon. And an earlier speaker noted the need to help neighborhoods. My recommendation for next year would be to allow participants to submit ideas for inclusion for everybody, such as there are community action and pride grants, about 100,000 in funding, that I wish, and that possibly others might have wished that they could vote. I'll start over because I'm sorry I wasn't close enough but there are things that, I think it would be great to allow participants in advance to submit ideas for consideration by the whole body for voting. And for example, there are community action and pride grants, about 100,000 per year in funding to over 60 organizations, neighborhood associations, for the most part, that it would have been great to include, to get everybody's feedback to see if that is something worthy of continuing to fund, something that you would vote for. So I just recommend that maybe next year reach out and ask for an idea or two and then consider them for inclusion, but this process was really helpful. And at this table I really appreciated the fact that everybody was willing to compromise on the very few things that we didn't agree on initially. Thanks. [applause]

>> I'd like to do a temperature-read. We'll be right there. I'd like to do a temperature-read to see if we can get further support among other tables for this notion of having another activity that would be focused on ideas of growth, or a little bit more of the citizen input on growth. Because Kip and I and the city have also talked about ways that we might be able to do that. Would that be something that would -- other people would like to join in on? This is kind of a quick temperature-read. I mean growth of the community, of the businesses of the city, just growth in general. Yes? All right. So I'm not going to make any commitments but I would to say factually, talk to Kip after this, we have had conversations on these lines and given the positive feedback I hope that we will be able to provide additional services that will be focused on the growth issues or the growth ideas. I think that's a fabulous idea and we would like to help you get there. Kip we've got a couple of -- there's one here, A, B and C. Okay great.

>> My name is Emily To, I'm the district 2 youth commissioner. At the beginning of this activity I really thought we were not going to pass anything. Straight off the start we were bickering across the table and I just really wanted to get myself a cup of coffee for the hour to come. But as the minutes passed by, we realized where everyone had their preferences, their priorities, mine, mine were probably within the branch library hours which I put out from the beginning. (laughing) and one of the really -- the best moments, between the bickering and maybe the slight aggression at my table because we were really a strong group. (laughter)

>> But one of the strong moments was that there were four members at my table put all of their money down for what they thought was the most important. For me, I put down all of my money towards the branch library hours. Four -- no, three of our members put down all of their money for gang prevention efforts. To support all of these, we knew we had to cut things, and although we did have that one stat about the parcel tax versus sales tax, we had business owners at our table. So they are directly affected by these but they were willing to compromise. And it really shows that we know that the neighborhoods make up the city, and we are all willing to compromise for this. So I thought I was going to have to fight. But it turns out that most of the people here are very selfless when it comes to improving the City of San José. [applause]

>> Hi, my name is Tina Morrill, community activist. I'm also a library commissioner. Just kudos around the table. People were really good -- we did a really good job at, like, okay, let's get the money first. So we raised revenue and that included a project that I'll talk about in just a second. And then we started ticking through the items. I think there is a tremendous amount of knowledge at this table and a tremendous amount of compromise, I thought it went really well and that was great. We did put \$2.5 million behind an improvement program on medical marijuana. And here are the specifics for all of the fans of medical marijuana or nonfans. But increase the medical marijuana dispensaries from 10 to 25 with the following conditions: That the dispensaries are required to provide their own security and work with the police. And allocate and pay for code enforcement officers that are dedicated to monitoring the dispensaries. We would monitor the success of the projects by the number of disturbance and complaint calls and also the amount of increase in revenue. We'd need to convince the council, we'd have to pull in the city attorney's office and get representatives from the dispensaries to work together. What needs to happen is the public needs to understand the amount of potential income, what the overall plan is. That needs to be understood so that people don't operate in fear. And some of that money should be diverted to drug awareness and deterrent programs for people. But enough people thought enough about the program to put 2.5 million behind it so that was great. One other thing I'd like to say is I've played this game where I've been in these discussions before. One thing I'd like to see next year, I think a lot of these are on the assumption that we're going to operate as business as usual. I am a proponent for process improvement. I would like to see part of this game dedicated to what kinds of processes are current in place, what are old and antiquated, what do we need to keep, and what are some of the new processes that could happen that would maybe trim some of the fat or divert money to other programs. Thank you.

>> Thank you so much!

>> Hi there I'm Nicole Adraes. I'm the founder of the Watkins way neighborhood association. Would I like to second the idea that we add a growth section to next year. At our table you know I've got a project that could create 50 jobs. A gentleman here has a project that could save, you know, save a couple of communities. And then another what, \$150,000. So we all put our feedback in but I think if there could be a structure where the

entire group here could all add that, just those ideas consolidated would even if one or two of them were done, you know that's millions and millions of dollars.

>> Fabulous. Thank you so much!

>> Thank you.

>> David Bajini neighborhoods commissioner from District 4. I think a primary comment here is requiring unanimous decisions on the -- was it the cost savings and revenue proposals played a big role. There were people like me who were stubborn enough not to give in and could block an entire thing, so that really forced us to focus really hard on things. I think what our table did was primarily then focus on community services, gang prevention in particular, community services that would prevent crime and alleviate the pressure on Police and Fire services. Also very impressed with people at the table who just very diligent in focusing in on one understanding the issues and willing to ask questions and go the extra you know mile to really understand what was at stake, before we made the decision. So the level of dedication and knowledge at the table I think helped us to reach decisions that we did. [applause]

>> Hi, I'm Joyce Corti, I'm from District 1's leadership team. I think this was a phenomenal exercise and I think one of the really important take-aways, setting the marijuana issue aside where there is not agreement from everyone is that there is broad agreement. What we found is we could fund almost all of our priorities within that sales tax. And, you know, I would have sworn, at 8:30 this morning, that a quarter-cent sales tax would not be a ripple in the pond. And yet it would make a very significant difference. So I think for all of us, that's a great learning experience, and now all we have to do is figure out how to get it. [applause]

>> Larry Aimes, I'm with the neighborhoods commission also. And for us quality of life in the neighborhoods was very important. So we wanted the libraries kept open, the community centers and things like that. Trying to pay for it, we had a big discussion about parcel tax versus sales tax. Sales tax adds 1 cent to the price of lunch. Our concern was buying a car, would people go to other cities to buy them there? And we had rules checked out and

we find out that the sales tax is based on where you register the car rather than where you buy it. And so you need to get that point across. So for a big car, it may be worth \$100 to drive across town except it doesn't make a difference. Clarify that. With that the sales tax paid for the roads and keeping the libraries open, and we even had a little bit of money left over to add bicycle lanes through the city. And it wasn't my idea. Other people suggested it.

>> And I would also like to point out is this is why we engage in the active market research. Because when we have thigs wonderful experts in the room who gave of their time to join us and help us understand what's going on, they're also listening to you, and how you ask questions. Because the -- you know, we've worked for several weeks on these items, to try and make sure that they're accurately represented. But when -- with your feedback like that, Larry, the subject matter experts for the city, they understand how you think of the issue, as opposed to how they think of the issue. To so that comment there across the tables and with the observers listening to you, I see Kim nodding, it's very helpful for the city who is living these issues every day to have this opportunity to hear the citizens' perspective of something that they're thinking of every day that oh yeah of course we know where the vehicle is registered yet that was an important point. Again I want to thank the subject matter experts for being there and quickly answering the questions. So let's give those people a round of applause too. [applause]

>> Hi. My name is Matt wallen, I'm a neighborhoods commissioner from District 8. And what I wanted to add was, my appreciation for the fact that this year's exercise built on last year's exercise commonality. The start-up time at our table was much faster because of our group experience, having gone through this once before for most of us. And I think that that's very important. Because we got a lot out of it. And I think you guys get a lot more out of it this way.

>> Yes. We were very pleased to have so many people who were here last year give of their time. Thank you for coming. We were relying a little bit on that we were very -- we expected that, and it was very gratifying, to see people say, okay, I know how to play this game, let's get going. In the interest of time I'm going to limit us to maybe one or two more questions and then I will turn it over to the mayor for closing remarks. Do we have one or two more comments from the audience? One more, you will have the honor of the last comment!

>> Bring us home!

>> Bring us home.

>> Go 49ers.

>> Yeah, go 49ers.

>> I wanted to first off, thank you, innovation games and Mayor Reed for allowing us the opportunity to take part in this exercise. This is the second time I've done this. I came for last year's exercise and found I had a much higher comfort level working through the exercise this time. A couple of observations. One, it wasn't easy to work through a number of these funding objectives. There was a lot of back and forth in terms of priorities and where people were, each of our individual kind of observations and what is coming from our communities. It was helpful to kind of communicate with each other, ask you know the pertinent questions and ensure some information. Some of the struggles we went through had to do with funding this or that, a lot of times. The thing about getting unanimous approval on finding what was a revenue stream could be difficult. And in one case in particular it became the make or break for funding something else. I encourage folks to consider compromise very carefully. I understand holding very closely to your convictions, but sometimes it becomes a barrier to what sometimes you needs to accomplish. And the other thing about a lot of the items that are kind of integrated through all of this is, we're trying to make a very -- a safer, a stronger, a better city and we have to look at the bigger picture. Not just individually what makes sense for my own neighborhood but also that will benefit the whole city. So I'm hoping we pay attention to had a.

>> Well said. Thank you so much! [applause]

>> Before I hand it to the mayor, I have one procedural point. If you need parking validation, what am I supposed to say? Okay. There's a validator in the back. So if you need parking validation, again, thank you so much, mayor.

>> Mayor Reed: Thank you, Luke. Now I got it. Thank innovation games, the company, and the individuals who are here, because as you heard, they are doing this pro bono. That means free. Which is important when we are having budget problems. But we hope that they will develop this into something they can sell to every city in the country, right?

>> We hope.

>> Mayor Reed: We hope, and create some more jobs here. That would be a good thing. We do appreciate the fact that they've come at their own expense to help us. And Luke, I think it's going to be a good product for you.

>> I hope.

>> Mayor Reed: And one of the things that makes it a good product, I believe, is the decisions that you had to make are decisions that council's going to have to make. We're going to wrastle with all of these and more. The difficulty is kind of narrowing it down to something you can handle in a couple of hours. We're going to have a couple of months for a lot more decisions. But everything that you have got in front of you are things that we're going to have to deal with. So this is not just a hypothetical exercise. These are real decisions that will have to be made by your councilmembers. When you're done today your job is to communicate with your councilmembers. Some of them were here and they didn't hear all of what was going on. I want to introduce Councilmember Oliverio who was here at the beginning and is still here. Pete Constant. [applause]

>> Mayor Reed: Ash Kalra. [applause]

>> Mayor Reed: And then Rose Herrera was here and Sam Liccardo was here and I think I got all the councilmembers. So it's important for them to hear from you because we don't do this in isolation. It's very important that part of the community engagement process, that engagement is important. So they need to hear you by phone, e-mail, snail-mail, knock on their door, you know the usual ways you communicate with them. A couple of things to mention: Next steps. Well, the next step is, really, six months of work at council level to put together a budget. This is step number 1. The poll that is out in the field will be reported-out to the council results on February 14th. You can watch that or you can attend. Up to you. We will have a council-senior staff priority setting session in this room on February 13th. Again, that's a public meeting. In March, we'll put out my recommendations, in my March budget message, and the council will consider those and vote on those in March. In March and April we'll have our community based budget meetings, one in each council district, typically is how we work it out. So there will be one close to you and you're welcome to participate in that, I hope you will. In May, the manager will deliver to us her recommendations for a balanced budget based on the direction the council gives in the March budget message process. And then we will have study sessions throughout the month of May, many hours, having is these same kinds of conversation. Again, you're welcome to participate in that, welcome to watch and certainly, encourage you to communicate with your councilmembers on the individual items. And in June, the council will consider my June budget message, and we will adopt a balanced budget before the end of June, well before the end of June. Because it takes about ten days to implement council direction after we approve a balanced budget and the staff has a lot of work to do. So we will be done in June and we'll start a new fiscal year July 1st. And to carry out the optimistic thing I'm still hoping we can have a balanced budget come July 1st that doesn't include any layoffs. But you know, that would be good for everybody. But there are things that have to be done. The fiscal reform plan that I mentioned earlier has to be finished. The quarter-cent sales tax and the things -- some of the things you were talking about is just one element of the fiscal reform plan. We have the pension cost savings, that will be in front of you as a ballot measure in June, we have other decisions that council has to make but you have to put it all together. But if we do put it all together then we will be able to restore some services. So I'm still cautiously optimistic about doing that. If we can't do those thing, whatever, we will be faced again with reducing services. And we've already reduced them enough. We've reduced them too much. We don't want to go there and that's why we're doing the fiscal reforms is just to avoid reaching what really is service level insolvency. We got plenty of money to pay our bills. We just can't afford to

pay our bills and provide services. That is kind of a key thing for those of you who expect the city to do something besides collect money and pay bills. I just want to invite you to participate. There are a lot of ways to do that. I thank you for coming out this morning, taking a few hours of your time. We're going to give you a small token of appreciation in form of lunch in the rotunda as we have in years past and if any of you have any specific comments, suggestions or comments for me I'm going to hang around for a while. Feel free to talk to me or talk to Pierluigi or Pete or Ash who are here. City staff is here, you have most of the senior staff are here. This is the opportunity to talk directly to them. Most of their job was to listen this morning. We have many times when they do most of the talking, today they get to do most of the listening. Thank you for being here. Thank you for your participation. I look forward to working with you on this budget. [applause] [Conclusion 11:49 a.m.]