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>> Mayor Reed: Good morning, welcome back everybody. I missed you so much. Well, maybe not that much. Good to see everybody back though, for the first meeting of August. We're going to start with the usual labor update then we will adjourn into closed session, take up our closed session matters and be back in here at 1:30 for the rest of the open session agenda so I will turn it over to Alex Gurza.

>> Alex Gurza: Good morning, mayor, members of the city council. Alex Gurza, Deputy City Manager. I'm going to -- the bulk of the presentation I'm going to turn over to Gina Donnelly. Wanted to go over a couple of things preliminarily. As we do every week, we remind everybody, public and city employees, information is available on the Internet, including proposals we've received from bargaining units and correspondents. Everything is available on the Internet. The month of July was quite busy for us. And our teams. And the bargaining unit teams. We've had quite a few meetings. A lot of it the meetings surrounded information requests. We have received many information requests, since June 24th we've responded to 66 information requests, meaning 66 different requests maybe within one correspondence, 66 separate letters but 66 separate information requests. There have been two separate meetings that our staff has had with San José firefighters union, including yesterday to go over information requests. They're quite voluminous. They are available to you on the Internet and this isn't everything because there's certain items that the Police and Fire units asked for that are very, very voluminous. They are information that support our bond ratings but all of these information requests are available and responses to and there are still some that are pending. In terms of proposals that we received we have provided with the city council with this, the proposal received, most recently at the end of last week. And there are some proposed ground rules here. So that, we did copy for you and are available. Again, the types of information requests are, we tried to put them into categories, so that you're aware of what kinds of information requests we're receiving. We're receiving requests for financial documents, communication from actuaries, cost savings of the draft -- of the proposed ballot measure supporting documentation on retirement cost. City Manager's fiscal reform plan and a variety of budget related documents. So with that I'll going to turn it over to Gina Donnelly.

>> Good morning, welcome back. First we wanted to start about talking a little bit about the negotiation process we've been engaged in in July. There are currently three types of bargaining underway the city has been engaging with several bargaining units. The first is ballot measure bargaining, also known as seal beach

bargaining. This refers to negotiations over a proposed ballot measure prior to it being placed on the ballot for consideration by voters. Now, certainly not all ballot measures are subject to negotiations, but if anything is affecting wages hours and working conditions, that is something that we would need to engage with the bargaining units on. Retirement reform negotiations. $215 million in savings through retirement reform through Karl 2015-16. And changes to retirement benefits both enhancements and reductions would fall within the scope of bargaining. And in some cases we are engaging in both ballot measure and retirement reform negotiations concurrently which we established a framework for that includes a deadline of October 31st and we also have successor MOA bargaining underway, typically results in a memorandum of agreement otherwise known as MOA. Health care benefits special pay or grievance procedure. And as I mentioned a few moments ago we successfully reached an agreement on framework for concurrent negotiations regarding retirement reform and proposed ballot measures with several bargaining units. We first reached this agreement with AEA, CAMP and AMSP. And they are negotiating as a coalition. We've had five meetings with them since June 24th, and the draft proposed ballot measure was presented to them on July 6th. We've had some helpful discussions about the union's proposal regarding retirement benefits for new employees, which is also an opt-in proposal they provided to the city back on March 3rd. The city has also provided them with several proposals of our own. A similar framework was agreed to with the POA and the San José firefighters. The draft proposed ballot measure was provided to them as well on July 6th. We had our first meeting on July 13th but have not met since and will not be meeting again until the end of August. We did convey our concern about this lengthy delay between meetings and requested that they make an effort to meet with the city sooner for negotiations purposes. And now on to ballot measure negotiations. We provided the draft proposed ballot measure to the remaining bargaining units which are listed on the chart before you on July 6th. The city's begun meeting with those bargaining units that requested to do so but as yet we have not received any counterproposal regarding the ballot measure. In coordinating with the city and ALP the attorneys union we provided written notice of our request to meet and confer over retirement reform and SRBR. The agreement does require a meet-and-confer process begin within 10 days of written notification. ALP provided response to the city that they were unavailable to meet, so the city followed up with an additional correspondence reminding ALP of the terms agreed to and requested they provided us a meeting date that they would be available for within the following ten days. In subsequent discussions the city and ALP did mutually agree to meet on August 11th. Negotiations with ABMEI, IBEW, OE3, MEF and CEO, they have

requested to meet as a coalition only for the purposes of retirement reform negotiations. The city did agree to do so as well. We had our first negotiation session on July 29th, during which the city provided several proposals and the union provided a proposal for a second-tier retirement benefit for new employees and ground rules including negotiation being open to the public. These two documents are also before you and have been posted on our Website. And as you may recall there are four bargaining units that we unfortunately did not reach an agreement with in June. OE 3, IBEW MEF and CEO. Recognizing the importance of having a contract with all of the City's bargaining units we did contact each of them to express this interest. What we have not heard back from everyone yet, there have been discussions with IBEW about getting back to the table and MEF and CEO have proposed ground rules that would make negotiations over successor MOA open to the public. And that concludes our presentation this morning.

>> Mayor Reed: No cards from the public requesting to speak. We have a request, okay. Come on down if you want to speak whether or not you filled out a card. Nancy Ostrowsky.

>> Good morning, welcome back. We are glad to see you. Okay. What I've just given to the clerk and was e-mailed to you and the city this morning is our response to the City's letter to us last Friday. As you know we are the unit that the coalition that has been at the table the most times. We have not asked for piles of work. But we've asked for costing out. We've asked for what you directed. So I just want to draw your attention to the letter that you're going to see. And staying in the professional manner that this coalition works in, I'm going to take you through our letter. We don't quite understand what the resistance is to providing our coalition the council and the public with what you project the normal cost to be of a retirement reform proposal. The normal cost to your proposal should not be considered a secret. State secret that you are unwilling to provide since the normal cost of any plain is a critical component in the negotiation about process in evaluating savings. We need to get down to it. You know we're here. We have Tom Lohman our actuary. We need to work through the facts and the data that we've heard all of you say that you need from us and that you also need to give to us. You state that your actuary has validated our normal cost projection to be 11.28% plus the normal cost of our proposal is 11.28%. So what is the normal cost of your proposal? That's what we ask, that was agreed to in the ground rules. What is the normal cost of your proposal? Our actuary, your actuary, has validated what we gave you. Has validated 11.28%. Where

are we? You've projected cost savings for other bargaining units that you have proposed off in plans yet you failed to do the same for us. But did you go on? You say --

>> Mayor Reed: Sorry your time is up.

>> Oh, Mr. Mayor, I didn't know we had three minutes.

>> Mayor Reed: Two minutes. It's been two minutes for ten years.

>> I thought it was labor negotiations. Sorry. Could you please read our letter?

>> Mayor Reed: Certainly.

>> I think you'll understand what we're saying. Thank you.

>> Mayor Reed: I think that concludes the public testimony. Councilmember Rocha.

>> Councilmember Rocha: Nancy, can I ask a question, Nancy over here? Can you share with me the negotiations, the first meeting and what took place? I'm accustomed to a term sheet or negotiations points that are shared. You talked about the normal cost for our proposal. What was actually presented to you for further negotiation?

>> In our very first session your outside counsel, Jonathan Holtzman, was there, without outside legal counsel, Christopher Platten. Your outside legal counsel, Jonathan Holtzman, promised us that our proposal would be answered to and costed out. However, now in the whole course of July with all the meetings we're told now that you can't cost it out so we wanted to get our actuaries talking. But John Bartell wasn't on the ground yet. Your outside consultant. So there was a week, ten days' delay. That happened, that happened as quickly as it want owed to happen on the same day and our information was exchanged with regard to the normal cost.

>> Councilmember Rocha: I'm sorry, the document that was presented to you from the City's proposal, what form was that? Was that a one page document, was it a memo, what -- the City's proposal?

>> The City's proposals came to us on -- through a ballot measure. A proposed ballot measure was given to us in the first week of I believe July, July 2nd, ten days or so.

>> Councilmember Rocha: Okay.

>> And that came to us as a proposed ballot measure which was as you all know from your last direction there was going to be an incentive to the process, and I tell you if you look for the carrot, it's a piece of sledded in a salad, there was no carrot to whatever was said in that first.

>> Councilmember Rocha: That was the only document given to you as part of the negotiation?

>> On the past Friday, the city presented -- regarding or March anything, having to do with our March proposal no, nothing's been answered on that aside from what the city has stated to us in a letter.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Thank you. This concludes our discussion. We are moving into closed session. We'll be back here at 1:30.

City of San José city council meeting.

>> Mayor Reed: (gavel strike) Good afternoon. I'd like to call this meeting to order. Welcome back from the recess. First council meeting in a month. Lots are work got done when we were not meeting here. So there's an argument that less meetings produces more work but we don't have to get into that today. But welcome back everybody. We will start our meeting as we usually do with the invocation. And I will invite Councilmember Nguyen to introduce the invocator.

>> Councilmember Nguyen: Thank you, Mayor Reed. Good afternoon. It is with great pleasure that I welcome Pastor Tony Williams from the Maranatha Christian Center to provide today's invocation. Known by all who he serves as Pastor Tony, Dr. Williams is the founder and senior pastor of the Maranatha Christian center in San José. However, Pastor Tony's heart and outreach extend well beyond the members of his church through his work as a volunteer with the Santa Clara county jail, San José police department, and the San Quentin prison in the launching of the Maranatha outreach center incorporated, a nonprofit nonreligious community center that offers homework assistance, tutoring and computer training for youth and adults. I want thank pastor Williams for all the work he has done for our community and for our city and please join me in welcoming pastor Anthony Williams.

>> Thank you, Councilmember Nguyen and to all the city council and Mr. Mayor, it's a delight to be here this afternoon. Shall we pray? Father we thank you for this as a day that you have made. We rejoice, we're glad in it. Lord we invite you to this council meeting this afternoon, lord our city is experiencing a tumultuous season and lord, we are inviting you to help us. Lord we're in need financially. There are many that are out of work, programs are being cut. Many are in great need. And we invite you that we know that there are so many working on so many levels to correct this and to make this right. Lord, we also need divine hydraulics to lift this heavy load that we are under here in the City of San José. And we invite you to order our steps and to direct our paths and we ask for special wisdom and insight and understanding for every councilperson and for our City Manager and for our mayor and all those who are joining hands to lift this great load, return prosperity to this city. Make our city streets safe, and bring work and employment for all those who are in desperate need. Remember those who have

fallen through the cracks, the homeless and the needy and those who are suffering the greatest need. Meet all of those needs as only you can. For we're looking to you as the provider of all that we need this this season. And we ask these things in the strong name of Christ, our lord, amen and amen. Thank you.

>> Mayor Reed: Thank you, pastor Tony. Our next is the pledge of allegiance. Please stand. [pledge of allegiance]

>> Mayor Reed: Next item to take up are the orders of the day. We have some changes from the printed agenda. We need to defer items 2.3 on rules and open government committee reports, and is that for a week, City Clerk? One week. And then we're adding some items on the calendar to the consent calendar, 2.14, 15, 16 and 17. 2.16 and 2.17, and then we have renumbered item 4.4 to item 2.18 and we're doing this a little bit differently because we didn't have a full rules committee meeting this week because of the recess. We're going to defer item 3.3, the ordinance regarding health care trust for Police and Firefighters retirement plans to August 30th. And then we need to approve a waiver of sunshine for items 3.5a on the discussion of ballot measure polling results, because well, we just did the poll and we haven't got the staff report until last week. And then item 3.6 the audit of supplementary military pay and benefits we'll defer to August 9th with the request of Councilmember Constant. Any other changes to the printed agenda? Motion is to approve the agenda with the sunshine waiver included. All in favor? Opposed? None opposed, that's approved. Please note that we will adjourn this meeting in memory of Frank DeFuniak who passed away in June. Mr. DeFuniak served for nearly 7 years on the San Jose Elections Commission, and as Chair for the last 3 years, was a member of the Santa Clara County Grand Jury, and was a dedicated educator serving as an administrator with the East Side Union High School District. City Clerk Dennis Hawkins has some additional words.

>> Dennis Hawkins: Thank you, Mr. Mayor, members of the council. Today I'm joined by my colleagues Lisa Herrick, Nora Pimentel and Michelle Ratcliffe who had the pleasure of working with Fred as the staff of the elections commission. Also joining us today are Fred's children, Matt, his daughter Tara and her husband Matt, Jill Croft and Sue Crumbo, and three of his six grandchildren, Emma, Will, and Drew. Fred is also survived by his brother and sister, and we are also joined by Mike Smith, elections commission chair as well as well as many of

Fred's friends and colleagues. Fred came to Santa Clara County as a student Santa Clara university where he studied history and played football as an offensive lineman as a tackle. Fred dedicated over 40 years of his life to serving our community. First, professionally as a teacher, beginning at James Licon high school in district 5 and later as an administrator he served students and families for over 35 years in the east side union high school district. Prior to his retirement his last assignment was to serve five years as principal at District 8's Silver Creek high school. But his service to our neighborhoods and his fellow residents went beyond that. As a father, he made a point of helping coach soccer and softball for his children. He also donated often and generously to his church, holy spirit, in district 10. His civic service included leadership on the Santa Clara County civil grand jury and the elections commission. Fred served two consecutive terms on the grand jury, 2001 to 2 and 2002-3 where he was the foreperson. His leadership skills were also present during his service for nearly seven years ago on the elections commission the last three as chair until his term expired in March of this year. Fred displayed a clear sense of responsibility to the institutions he served. Was also fair and was always fair in his dealings with others. And confirm when necessary, but never lost his sense of humor. Rather than seeking the spotlight Fred was a leader who offered coaching and support and encouraged participation in individual contributions and actively shared credit for accomplishments. Today we honor Fred for all he has done for our city. We thank Fred's family for sharing him with us and take this time to honor a gentleman who dedicated his life to our community and someone who put service to others above self. Thank you.

>> Mayor Reed: Thank you, Dennis. Next item is the closed session report. City Attorney.

>> City Attorney Doyle: Mr. Mayor, there is no report.

>> Mayor Reed: We'll now move to the ceremonial items. I'd like to invite Councilmember Chu, Councilmember Oliverio and Grace Misha Aroyal to join me at the podium. Today we are recognizing August 7th as Assyrian martyrs day in the City of San José. Councilmember Chu has some more words.

>> Councilmember Chu: Thank you mayor. I'd like to thank my colleagues and the mayor in joining me to present this proclamation to Assyrian martyrs day. Assyrian martyrs day is observed on August 7th. It recalls the

event of August in 1933 when approximately 3,000 Assyrians living in Semale, Luzal and Du Hoke district of northern Iraq was killed and numerous farms and villages were destroyed. The observance of this date is recent and has gained widespread acceptance among Assyrians. A Memorial Day for all Assyrian martyrs to commemorate the importance and the valves martyrs history. The holy Apostolic Catholic Assyrian church of East is one of the oldest Christian church in San José. Assyrians were among the first nations to accept Christianity. The church is having their annual food festival, celebrating its 19th year on August 20th and 21st of this year. This annual celebration is an opportunity to showcase Assyrian traditions and educate other ethnic communities about their Assyrian heritage. In remembrance of Assyrians who gave their life for the preservation of their cultural and ethnic identity. Here with us today to accept this proclamation is bishop Mar Awar Royol. Bishop.

>> Reverend clergy, Your Honor, members of city council. As a bishop of the Assyrian church of the East, the diocese of California, I'd like to thank the City of San José for recognizing the past suffering and persecutions and dare I say even genocide committed against the Assyrian Christians of Mesopotamia, the indigenous people of the modern state of Iraq. The Assyrian Christians have suffered persecution, down through these almost 2,000 years for their Christian faith and their Assyrian identity. In recent history the suffering of the Assyrians began at the turn of the 20th century, when during the first world war, the imperial Ottoman government carried out a systematic genocide against the Assyrians, the Armenians, and the Ponta Greeks. Where more than 1 million persons lost their lives mercilessly. Later in 1933, as was just outlined, the royal government of Iraq carried out the massacre of the Assyrians at Somele in northern Iraq. Still today the Assyrian Christians of Iraq in particular, and in the Middle East at large, are persecuted and driven out of their ancestral homeland. And just this morning we have heard of the news that another Christian church was bombed in the city of Kirkuk. I accept this proclamation in honor and memory of the countless Assyrians who have fallen victim to genocide, persecutions and the politics of the powers that be. Thank you one and all and God bless you. [applause]

>> Mayor Reed: I'd like to invite representatives of the Pacific coast farmers marks association, to join me at Councilmember Chu add the podium as we recognize August 7th through 13th, 2011 as national farmers market week in the City of San José.

>> Councilmember Chu: Thank you, mayor, again and joining me for proclaiming August 7th to 13th as the 12th annual farmers market week in the City of San José. It offers residents affordable, convenient and healthy products. Farmers markets also promote child health and reduce childhood obesity by increasing children's access to fresh fruit, vegetables and meats. This also supports families who live in a healthier lifestyle. Farmers markets support a sustainability of family farms and the renewal of community by offering farmers and residents the chance to work together, and support local food initiatives through donation of unused food to feeding programs and homeless shelters around San José. Farmers markets also provide economic opportunity for California, farmers and food producers. And support local business and community based organizations. Residents also have local access to farm fresh produce. In 2008, I supported Berryessa farmers market which has grown as one of the strongest year round farmers markets in San José. And here today, to accept this proclamation, on behalf of farmers markets around San José, is Ann O'Leary, a market manager of Berryessa farmers market from the Pacific coast farmers market association. Ann.

>> On behalf of Pacific coast my fellow market managers and the City of San José and all the farmers who make these markets possible certainly would like to express our appreciation both for this proclamation, and also for the great support and partnership that we enjoy with the city. In particular, because I happen to run the Berryessa market, and two markets in Evergreen. I would also like to thank Councilmember Chu's staff and himself and Councilmember Herrera and her great staff for their direct participation. In addition to all those great things that Councilmember Chu outlined we also offer fun opportunities such as a health day back in April when Councilmember Chu came and was a guest celebrity chef along with our own chefs at the market. So we have a number of different opportunities for people to come both and shop and participate in nutrition activities and support local farmers who really are the backbone of everything that we do. So thank you very much.

>> Mayor Reed: Thank you. [applause]

>> Mayor Reed: Next item is the calendar. We have 2.9, the independent police auditor to speak on that item. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. 2.7 and I'd like to recuse myself on item 2.18.

>> Mayor Reed: Okay. Any public testimony on consent calendar other than the IPA stuff, we'll take that testimony now. Councilmember Herrera.

>> Councilmember Herrera: I'd also like to recuse myself on 2.18.

>> Mayor Reed: Okay, Roland LeBrun. Roland. LeBrun. No. Coming down, okay. And then David Wall.

>> Mayor Reed, members of the council, good afternoon. My name is Roland LeBrun. I'd like to speak to you very briefly about item 2.12 which is the Hitachi transit village. First of all thank you for setting up a special district for looking after these parks. The reason I'm addressing you this afternoon is to add a couple of items to the wish list. This is an incredible results in our district. And what we need to do is to improve the connectivity. So the first thing on the map that you're looking at, unfortunately I don't have my pointer. On the top you see Coyote creek and there's a red line. Red line at the bottom is Coyote Alamitos creek trail. Blue line is Alderson parkway. What I'd like to suggest is you consider a trail that will connect the Blossom Hill CalTrain station to the north. To the -- a linear dog park to the South. And one last thing, it would be wonderful if you could reopen the IBM tunnel under highway 85. IBM spent I believe $40 million on this about 15 to 20 years ago. And it would really help us reestablish the connections in our neighborhood. Thank you.

>> Mayor Reed: Mr. Wall.

>> David Wall: This is in reference to item 2.14, AB 341. The solid waste diversion. I just have concerns that the City of San José should be taking the lead in this, Mr. Mayor, and 75% is just too low. I think that we should be doing 100%, and I don't support the language of this bill. Obviously I don't support this bill because I think San José should be taking the environmental lead here instead of following behind. And also, other cities have a responsibility to deal with their own waste instead of making San José a processing center for waste. Now you

have a lot of deals pending with the zero waste people and what have you. I don't think people are going to really appreciate the numbers of garbage trucks that are going to be cruising through San José from different municipalities, because as the language contained in this bill just to support your anaerobic digester plant and its related functions. So I vote no on this. The other thing on 2.9, I don't know can I speak on that at this time period?

>> Mayor Reed: That's going to come up later so you can speak then.

>> David Wall: Thank you very much then.

>> Mayor Reed: Any other comments on consent calendar? I saw one more card come in but I don't think it's on the consent calendar.

>> Councilmember Pyle: Move to approve the balance.

>> Mayor Reed: Mooch to approve. 2.7 and 2.9 we're going to take up later and the record needs to reflect that Councilmember Herrera and Councilmember Liccardo are going to abstain on 2.18. On the motion, all in favor, opposed, none opposed, two abstentions on 2.18. Taking us back to 2.7, I forget who wanted to discuss that, I think it's the O'Donnell park. Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to point out that this effort to fund this improvement in the park was really led by concerned residents in the south university neighborhood. It's a neighborhood about 75, 80% of the residents are renters. They've really taken the initiative to find ways to find resources in these very scarce times. They've got grant funding and contributed that grant funding to the city so that they could make this important improvement to the park. And I just wanted to thank all the neighborhood leaders in the south university neighborhood for their initiative. Senator Walter Solner and many others and I also wanted to thank Dave Sykes and his team, Public Works because they've been around and around this issue trying to reduce the cost of making this work and I really appreciate their efforts. I'll move to approve.

>> Mayor Reed: Motion is to approve item 2.7. All in favor, opposed, none opposed, that's approved. Item 2.9 is a matching grant agreement for the independent police auditor's team leadership council. Judge Cordell will speak to that item.

>> Thank you, mayor. Mayor Reed and city councilmembers, thank you for the opportunity to speak very briefly about this agenda item. As you may recall, the Teen Leadership Council, the TLC, was created this year as a part of our office's outreach effort to San José's young people. This advisory group is the first of its kind in the nation for a police oversight agency, and I'm very pleased that seven of our 24 members are here for this important vote. I'm going to call their names and ask them to stand: Nick Avila, Aaron Gamboa, Naele Montez, Leila O'hara, Camille rivera, Veronica Rubelkava and Kayla Williams. Thank you. It is because of the generosity of Carmen and Al castellanos that this motion is before you today. A few months ago Diane Dulan Diaz and I met with the Castellanos to ask them to provide financial support for the TLC. They agreed and have pledged a dollar for dollar matching grant up to $5,000, which means that when, not if, but when we meet our goal, the TLC Castellanos fund will have at least $10,000. The castellanos family is here this afternoon. I thank you so much for doing what you always do, extending a helping hand to our young people. Thank you. [applause]

>> Thank you, judge Cordell. I do recall our meeting back in March, we first met with Judge Cordell and we were very inspired with the leadership she has shown in forming the leadership council. And providing a forum for the voices of our youth to be heard in a really meaningful and profound way. And an opportunity to offer these students an opportunity to develop their leadership skills. So we're very, very happy to be supporting this great effort. Thank you, Judge Cordell and the council.

>> The matching grant that is before you for consideration was drafted by another of this city's gems, Sandra Lee of our city attorney's office. The lawyers are the invisible force that guide us. And Sandra is here at my invitation and thank you, Sandra, stand up. Thank you for your superb legal expertise and advice that continues to guide our office. Thank you. The task of meeting the castellans dollar for dollar challenge will fall to the IPAC who have graciously stepped up to raise the $5,000 match. Two of our IPAC members are here today, Linda Colar and Otis Watson. Thank you. Thank you so much for being here for our young people and supporting the work of our

office. All of the funds will be deposited in the City's trust fund, the City's gift trust fund. I'm most appreciative of the mayor who, ever supportive of the TLC, suggested that we utilize the gift trust fund. Turns out it was a great suggestion. Thank you, Mayor Reed. And my thanks to the IPA staff members Diane Dulin Diaz, who continues almost singlehandedly to keep our TLC program running, to Vivian do, who will handle all the accounting for the fund and to Jessica Florez who handles all the logistics of our monthly TLC meetings. It is my hope that you will vote to adopt the matching grant agreement and approve the establishment of the trust account so that we can demonstrate to our TLC who are among the best and the brightest in our city, that this City cares about its young people. Should anyone choose to donate, you simply made a check payable to the City of San José-TLC and finally as further proof of our respective and collaborative relationship with the San José police department chief Moore has already pledged $100 from his own pocket for this fund and along with my $100 check, thanks to the castellanos foundation we have just raised our first $400. Thank you. [applause]

>> Mayor Reed: Thank you. I heard a motion to approve from Councilmember Constant. Councilmember Campos got the second, I think. Councilmember Kalra got the second, okay, I'm going to auction off the second. Who wants the second? Never mind. Talk to them later, Judge. All right. We have a motion to approve. I have a request to speak on this item, Mr. Wall.

>> David Wall: You know it is always right and salutary when citizens donate their own money for the betterment and cause for the city I'd like to thank him personally for your philanthropy and for your passion in this matter. I particularly don't agree with it. And I would like to just raise a couple of issues. Is this going to be a sustainable program? Now, the ink is still wet on the budget deficit for next year. And there's going to be an increased reliability of this program. And when you have dedicated city staff, that will -- and necessarily probably be eliminated in next go-round. How are you going to fund for the terms that are contained within this agreement? The very agreement, too, has some very vague and ambiguous terms as far as the members of the advisory committee and their requirement to make donations. The specific ambiguity is that it leaves it open as a contribution. It doesn't say a penny or $5,000 and it's a requirement. Even if at some later point the committee member may not feel so enthralled to give their money. I also think that the cost of the police oversight agency known as the you independent police auditor is something that should appear on the ballot for the very reasons

that I started speaking out earlier. Is because of the shrinking amount of municipal revenues. This group as lawyers do can work on a pro bono fashion. Thank you very much and thank you again to the Castellano family.

>> Mayor Reed: That concludes the testimony. Councilmember Pyle.

>> Councilmember Pyle: Thank you. I'd like to say that I'm absolutely delighted that judge Cordell has taken it upon herself once again to be in the forefront and to make things happen as much as she possibly can. You have definitely gone above and beyond as have the castellanos whom I've known from my days with the San José Evergreen community college district and as a former teacher, I'd like to say that there is no one greater gift that one can give to any child but a helping hand in reference to helping them to establish themselves as individuals that will make a difference in the world. So I just want to congratulate all of you for the superb collaboration and some great minds. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you very much, mayor. I'd also like to add my congratulations to judge Cordell. I know this is something that you always wanted to do. I remember the first meeting that we had you mentioned about TLC, I'm really pleased that within such a short period of time you were already able to get 20 -- very excellent team of used together so I wanted to congratulate all the council, TLC councilmembers for being selected by the judge and selected by the IPA and thanks very much for the castellano family for your continued support of our community. I would like to make a $100 donation to make this program sustainable. Hopefully that you will all come back next year. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, Mayor. I too want to add my congratulations. I just want to say how very impressed I am that all of you have signed up for this and take your first steps in leadership in this community. So congratulations. Thank you very much, judge Cordell, again it doesn't surprise me. You just

continue to do great things for this community and the castellano family. And I likewise am going to make a donation of $100.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I -- at risk of making it sound like a game show, I'm in too. I just wanted to say I had the good fortunate of being able to -- fortune of being able to meet the young men and women as part of the TLC group. They are very engaged and thoughtful and want to get engaged in the civic life of the you community. I think it's fantastic that judge Cordell and the castellanos have all gotten -- made this happen, really, and I look forward to seeing how we can make this a very permanent feature of what we're doing here in the city because it's absolutely important for our future.

>> Mayor Reed: Anybody else? I just want to thank the castellano foundation and family for supporting the IPA as well as the adults and the teenagers are helping in an advisory capacity. It is important work and we appreciate the contribution to the community. We have a motion to approve. All in favor? Opposed? None opposed, that's approved. Thank you very much. That concludes the consent calendar. Next item would be item 3.1. Report of the City Manager.

>> City Manager Figone: Thank you, Mr. Mayor members of the council. I too wanted to take a moment to welcome you back following the summer furlough and update you on a couple of items. First of all under the good news category I am happy to report that we have received a grant from EDA, Kim Walesh did send you an e-mail this morning but for public information, the economic development administration at the Department of Commerce has informed us that our application for financial support for the environmental innovation center has been approved. The EDA has approved a $2.3 million grant to the city, the largest EDA grant that the City of San José has ever received. The funds will be used to install an advanced next generation photovoltaic system on the environmental innovation center, coupled with the new market tax credit financing, this will enable us to build the environmental innovation center as a net zero energy building at the LEED platinum certified -- certification level. I want to acknowledge environmental services, Public Works and the Office of Economic Development, for their

great work on this grant application. Next, I wanted to bring you up to date on the status of employee transitions that have been underway since our last meeting. With the difficult budget decisions of last June, 140 employees have now separated from the city. In terms of the organization am impact it is important to recognize, in addition, another 500 employees have moved into new jobs as a result of reductions and the associated bumping. These employees are now having to adjust to new surroundings and learn new responsibilities. Guidelines for our managers on helping employees transition to their new assignments were provided at a citywide manager's meeting in the spring and our human resources personnel are providing ongoing support to managers and employees during this transition. Nevertheless, with many of our employees now starting over in new jobs it is inevitable that the city council and the community will continue to experience slower response times, as these employees learn new job responsibilities. So in closing I ask for your help and your understanding as we work to establish news expectations and providing reduced services to the community. And I'd like to thank our entire workforce for their continued dedication to the City of San José and to public service and that concludes my report.

>> Mayor Reed: Next item is 3.4, public hearing on sewer service and use charges and storm sewer services charges. City Attorney has some comments.

>> City Attorney Doyle: Mayor, council, this item 3.4 is an item that you do annually setting the sewer service and use charges and storm drain charges. The -- there is a noticing issue and we are going to re-notice and continue the public hearing for two weeks. That being said, the -- we are asking the council to take action on the report itself so we can get it to the county and the county will accept the report and begins to process it subject to a public hearing and any corrections that would be made in two weeks at that hearing.

>> Mayor Reed: Thank you, City Attorney. If I understand it we've already established the charges, the fees, we did that during the hearing we had in June.

>> City Attorney Doyle: The charges, yes.

>> Mayor Reed: This is to implement it to collect it. I do have one request to speak on this. Anything else from the staff before we take the testimony? Mr. Wall.

>> David Wall: Once again, this particular rate is troublesome because it -- how it is calculated. Insofar as it is a sliding scale from single family homes down to apartments. It's been my contention that this rate should be the same for everybody. Because it's basically predicated on flow. In addition, because of the pay cuts and benefit restructuring of the city employees, specifically, that are funded out of this fund, the rates May not be reflective of the correct amount. Now, earlier, testimony's been given at other committees about this. Reducing people that are city employees who are funded out of sewer service and use charge is a prop 218 issue. So if you put forth pay and benefits to the taxpayers for a rate increase, then arbitrarily and capriciously reduces city employees pay and benefit structure, the fund then becomes compromised. Because the ratepayers have agreed to pay it, and therefore, the difference created by the subtraction of employees pay and benefits creates the ability to have a quasi slush fund. Because of the difference. Now, there is talk that you know, this is going to be paying down different things at the plant and what have you. But this is -- this is just a Finnegan's rainbow, because the budget is the budget, as produced put forward to the voters to be voted on. And subsequently, any changes to that budget raises suspect actions on a government. Because you should have recalculated the rates. Thank you.

>> Mayor Reed: That's all the cards I have on this. So this is a public hearing, what we need to do is to approve the report and continue the hearing for two weeks. Okay. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. I was wondering if staff you know this question on sewage rates versus single family homes versus condos and town houses there's a differential. Staff do you think by the next time this comes to council, there could be a number that would tell you if you would make everybody equal on flow what extra money that might bring in and could the city choose to if it brings an X and that would go to X amount of sewer improvements in the city?

>> Scott Johnson: Mr. Mayor, members of the council, Scott Johnson, director of finance. Councilmember Oliverio, we would be happy to provide that report when this is timely enough for the continuation of the public hearing.

>> Councilmember Oliverio: Scott just out of curiosity, since I'm making a request what is the level of effort on that? Is it high, low?

>> Scott Johnson: I think that would be pretty straightforward. We know the number of parcels that this applies to. We have already done the calculation. We have the tape ready to submit to the county. So we can rerun those numbers. We'll have to do it manually but it's pretty straightforward based on a flat rate by number of parcels.

>> Councilmember Oliverio: And would you believe you'd answer that just at the next meeting or by info memo, what's your preference?

>> Scott Johnson: At the next meeting, given that this information will be continued on the public hearing.

>> Councilmember Oliverio: Okay. Thank you.

>> Mayor Reed: Is there a motion? We have a motion to accept the report and continue the hearing for two weeks. All in favor? Opposed? None opposed, that's approved. We will take this up in two weeks again. Yet 3.5, discussion of ballot measures, polling results, discussion of state budget impacts and just note for the record that we already had the update regarding status of discussions on budget measure language, retirement reform negotiations, city's bargaining units this morning as part of today's 9:00 hearing and referring to September 20th discussion of consideration of declaration of a fiscal and Public Safety emergency and deferring further discussion of possible draft ballot language and ballot measure allowing residents of San José to vote on proposed changes to the charter. So really have two topics I guess here, on this matter. The City Manager will start that.

>> City Manager Figone: Thank you, Mr. Mayor, yes I will key this up and the slide that will be in front of you is the list of our recommendations. As was indicated this item's a carryover from June 24th per county direction. In addition to recommendations to defer discussions on the declaration of fiscal and service level emergency, and retirement ballot measure language. And I'll take you through the recommendations very, very briefly. We will have a very short presentation on the ballot measure polling results and revenue measures and the discussion of the state -- actually just an update on the state budget impacts. Item C as the mayor said was already heard this morning. Item D is a recommendation to defer to September 20th, the discussion and consideration of a declaration of fiscal and what we're calling service level emergency. And this will allow the administration more time to pull together what we are now in the process of developing, which is really our perspective on the several -- service level emergency that I know we all know we're in the middle of. Having come off of ten years of very, very difficulty budget times, just closing a $115 my deficit and facing another least, we really feel it's time to share with council what we see in terms of the service level crisis that we're facing. And then item E is recommendation to defer discussion of the possible draft ballot language for ballot measures allowing the residents of San José to vote on proposed changes to the charter. As discussed this morning we have provided a draft of the retirement ballot measure language which does reflect council direction to all of the bargaining under and are engaged in discussions with most of them over this consistent with our bargaining obligation. Deferring this item provides us the time to continue those discussions and to get feedback from the bargaining units as well as our unrepresented employees on unit 99 on the draft language. This is consistent with what is current in the pledge of cooperation, that we have with five of our bargaining units and consistent with the October 31st deadline which is in that framework by which we are to conclude our discussions. So those are our recommendations and with that mayor I will turn it over to -- actually I will begin with item number B which is very, very brief. That is an update on the state budget impacts which really result in the loss of motor vehicle in lieu revenue to the City of San José. We did issue you an information memo on July 13th providing this information to you. Essentially the state at the very last of their budget process shifted all motor vehicle in lieu revenue from cities to support state law enforcement grants effective July 2011. What that means to the City of San José is that the 11-12 budget which you just adopted now has a hole in it of about $2.8 million due to the loss of this revenue. So what we will need to do is to come back to you, consistent with the annual report, for last cooler, which you will hear in the September time frame, and recommend General Fund rebalancing actions at that time. It is our goal to rebalance the budget and bring you a

solution or recommended solutions that will focus on strategies that will avoid layoffs. Again that is our goal at this point in time. Just as a side-note, the league of California cities efforts are underway to attempt to restore VLF revenues to cities. While legal options are being explored, at this time we do not know what the -- what results they will be able to achieve for us. But that is underway and I see that Roxann Miller at least was in the audience and so later when -- if council has questions on that she can certainly assist in answering them. So now I will turn it over to Tom Manheim.

>> Tom Manheim: Thank you, Tom Manheim, communications director. Mayor, councilmembers, you'll recall that on June 24th, you directed us to survey over the summer, and we -- consistent with your direction, surveyed on five different ballot measures, two general sales tax measures, a quarter cent and a half cent sales tax measure, and then three special tax measures, a general -- one would be for public safety, generally, one would be for police services and one that would be for fire services. The ballot language that we tested was vetted with three organizations, as Silicon Valley leadership group, South Bay labor council and the San José Silicon Valley chamber of commerce. And the survey was conducted between July 13th and July 19th. I'm going to turn it over now to Dave Metz, the partner with Fairbanks, Maslan, Mullin, Metz and Associates to give you the results.

>> Great, thank you very much. Mr. Mayor, members of the council, members of the public, I'm going to walk through some of the key findings from our recent survey as they pertain to the potential ballot options and would be happy to answer any detailed questions about the results that you may have. There has also been a separate analytical memorandum that has been submitted to you along with a top line results and cross tabulated results of the survey. Mr. Manheim described the general methodology of the survey but you'll see it laid out in a little more detail here. We conducted a total of 1200 interviews with registered voters, considered to vote in a November 2011 election. We conducted the interviews on land line phones and cell phones, about one in five interviews were completed on cell phones and the survey was conducted in English, Spanish and Vietnamese. There are a number of places where we have comparisons to prior surveys that we have done for the city either as part of our annual budget survey or as part of supplementary research we've done when the city has considered prior ballot measures. Just to recap, the different ballot measure concepts we tested are summarized here. There were two models of a general purpose sales tax measure which would require simple majority approval from San José

voters. The base case was a half percent sales tax and then for half our sample we described it as having a nine year sunset limit. For the other half a 15 year sunset limit to see if that made a difference in the results. And then we had a follow up question about an alternative measure which would be in all respects the same but only a quarter cent as opposed to a half cent. We then asked follow up questions about three potential alternate quarter cent sales tax measures each of which would be a sales tax specifically dedicated to public safety. And the three variations that we tested were one that went to public services generally, one that went specifically to police, and one that went specifically to fire. Each of those would require a two-thirds supermajority vote of approval by the public. So here is the ballot language which we used for our base case measure which Mr. Manheim described was submitted for review to a number of community organizations for their input. This is a model of the 75 word ballot question that might be presented to voters for a half cent general tax increase. You'll note, for half the sample we asked for a 15 year sunset period, for the other half a nine year period. So here were the results we received for the 15 year sunset, we had half if voters indicating they would be likely to vote yes, 50% and then 43% indicating they would be likely to vote no. So the nine year sunset the results were somewhat better, 53% in favor, 38% opposed. So in each case more support than opposition. However, the -- if you look at those who feel most strongly about their position on the issue, those who indicate they would definitely vote yes or definitely vote no as indicated by the dark blue and dark red bars at the top or bottom of the slides those numbers are roughly equal under either scenario. We also as you'll see among those who indicated they would vote yes we've got them segmented out into three groups. Those who said they would definitely or probably vote yes and then those who initially said they were undecided but after a follow up question indicated that they were leaning towards voting yes. In each case here, that last subset which is the most tenuous of the three, is required to get to the measure up to that 50% level. Now we also went through a series of messages in the poll, things that supporters or opponents of such a sales tax increase might say and then reasked the respondents after hearing each set of messages whether they'd be inclined to vote yes or no so we could simulate the back and forth of the campaign might effect voter opinion. After the positive messages support overall increased from 51% to 57%, here we're combining the nine year and 15 year sunsets, and then after the negative messages it dropped back down to 54. Without the leaners included that's the red line support also rises but it remains below that 50% level. Now we also asked as you'll recall a follow-up question about a quarter cent sales tax increase and once again tested a 15 year sunset or a nine year sunset. Under these scenarios support did increase when we asked about the quarter

cent. The highest level of support we recorded was for a quarter cent sales tax with a nine year sunset. That got 59% total yes votes, 34% total no votes. And this was one case where can you see the definite yes vote exceeded the definite no vote by a margin that's outside the survey's margin of error. 31 to 24. In this case again if we just look at the definite and probable yes vote we exclude those leaners the nine year sunset quarter cent sales tax is the only measure we test they'd got up to that 50% threshold and again this measure would require simple majority approval. Now to put a little historical context here we have over the course of the last three years in a number of our research projects asked San José voters about their support for quarter cent sales tax blood measures. The language that we've used and the specific nature of the proposal has varied over time but you'll seize here the general patterns of support have been fairly consistent. They varied between a low of 54% last year and a high of 62% in 2009. The level of support that we see today at 57 is essentially the same as in January's budget survey, and falls somewhat in between those two extremes. Now we also asked about three alternate measures that would require two-thirds supermajority approval. Special taxes that would be dedicated to specific services. You'll see the three models here, one was devoted entirely to public safety as a broad category, a second to police only and a third to fire only. Each of these three measures received less support than the general tax measure that we had asked about previously, when we compare it to that quarter cent model, and also received a higher level of opposition, in each case over 40%. Given the higher vote threshold that would be required for the approval of any of these measures, none of them meet the test that we would usually look to for viability in such a ballot measure. So the best option of the ones we tested you'll see listed here, it's that second set of bars is that quarter cent general purpose sales tax. On average that received 57% support, and as you'll recall when we include a nine year sunset provision it's actually slightly higher at 59% support. So that of the available options seems to be the one that has the most backing from San José voters. Finally we also had a question where we described for voters some of the ongoing discussions with the City's employees and talked about potential restructuring and reduction of public employee retirement benefits and then asked the responsibilities if knowing that such an agreement had been made with the City's unions would they be more likely or less likely to vote for a sales tax increase. Obviously this information can cut both ways. There may be some set of voters who believe that if there's reductions in public employee compensation that may avoid the need for a tax increase. Others may recognize that if employees are making concessions then in the context of shared sacrifice it makes sense for the public to pay additional taxes as well. On the net here there are more

voters who say that such agreements would have a positive impact than say they would have a negative impact. 48 pert to 26%. However when we did some further analysis and looked at the responses to this question among those who were either initially supportive initially opposed or initially undecided on the sales tax measure we found that the impact was something of a wash. Essentially what we did was we took those voters who indicated they would be much more likely to vote yes, or much less likely to vote yes, based on what the set of retirement reforms, and then if that position corresponded with a switch in their initial vote we basically flipped them from the yes side to the no side or vice versa and essentially the movement in each direction tends to cancel each out. And you'll see when we do that remodeled half-cent sales tax vote in the second column from the right there's an additional 1% yes an additional 1% no but the margin is the same as where we started. For the quarter cent sales tax the margin narrows slightly under that analysis although it is still 16 points positive. And the reason for this is the vast majority of those who said they would be more likely to vote for a measure if those retirement restructuring provisions were in place are those who already were inclined to vote yes. So it's essentially solidifying yes votes among those who already had a positive view. So with that, I'd be happy to answer any questions you have.

>> Tom Manheim: Mr. Mayor, if I could just interject one thing that I forgot to mention at the start and should have but just for the record, here I know you're all aware of this but as Mr. Metz mentioned the one possible viable measure being the quarter-cent sales tax, that would require a unanimous declaration from the city council that we are currently facing a fiscal emergency before that could be put on this November's ballot. So I did want to just note that threshold for the public at least. And I think I think the City Manager had some closing comments and then we can answer any questions that the council has.

>> City Manager Figone: Actually, no closing comments. We will put the slide up with our recommendations and then just turn it back to you, mayor.

>> Mayor Reed: Okay, before we get into questions specifically on the ballot measure, is there any other staff presentation on this whole 3.5 group?

>> City Manager Figone: No, we are done.

>> Mayor Reed: Okay, that's staff presentation. I'd like to take the public testimony if I could at this time before the council gets into discussion on the various elements. Kevin fish, and David Wall. Mr. Wall go ahead, you're closest.

>> David Wall: It's kind of interesting how the ballot measure doesn't come out with first an apology to the taxpayers from all of you, with respect to Councilmember Rocha and Councilmember Campos. The rest of you, you're the ones who caused the fiscal emergency. You caused it through your spendthrift ways of giving away tens of millions if not hundreds of millions of dollars over several years to a variety of groups and causes and now you're going to plead a poor mouth. The absolute reduction in confidence of government Mr. Mayor is predicated on what we've seen here today. You now make decisions predicated on a third party contract who deals with three special interest groups. The Silicon Valley leadership group, South Bay labor, and the chamber of commerce, are very insignificant when it comes to the actual voters of San José. Why do you rely on statistical analysis, when under the doctrine of good shepherd knows his or her flock is being just thrown away. You know your constituents. At least in theory. And yet, what money you do have, you spend money for an organization of two communication directors, one in your office, Mr. Mayor, one in your office, madam City Manager. And those suballocations for the support staff, and you have money for a phone survey. Which is quite irritating on its face. You have very serious problems arounds coming clean to the taxpayers is the first one you should adopt. You are the ones that caused the fiscal emergency. Thank you.

>> Mayor Reed: Kevin fish.

>> Regarding any proposed ballot measure, affecting bargaining units, that would be illegal, violate federal labor law, labor code, which guarantees collective bargaining. And that if you'd put that in the ballot it's going to lead to a federal lawsuit, maybe even a state lawsuit as well. So that will cost, what, thousands of dollars? Million dollars, whatever the cost will be. And that's city money, revenues that normally would go to city services. So you would

be hurting your constituents that way. And remember, it's going to come back to you. It's like Paul Simon saying, in this song, peace like a river, you can't out run the history train. There are consequences.

>> Mayor Reed: Thank you, that concludes the public testimony. I had one more question for the staff before we get into questions about the presentation. That has to do with something happened during July when the council wasn't here, the government accounting standards board issued a -- I won't call it a rule because I don't think it's yet a rule, maybe it's a preliminary draft of a rule or something, that they somewhere their terminates of art that they used and we did get an information memo from the City Auditor and trying to figure out what impact that might have on the things that we're considering doing. City Auditor.

>> Sharon Erickson: Yes, mayor and council, thank you very much. Sharon Erickson, City Auditor. Together with Scott Johnson we'd like to give you a brief summary of the informational memo that we put out on July 26th. The governmental accounting standards board has been reviewing pension reporting best practices for a number of years. In July GASB released two exposure drafts proposing changes to the rules surrounding financial accounting and reporting of pensions for state and local governments. The two state -- there are two statements one would apply to the city's financial statements. The other would apply to the pension plan's financial statements. These are preliminary drafts, they're exposure drafts, GASB will be holding public hearings in October of 2011. The final standards are expected, though, in 2012, so relatively soon. They would be effective for the City's financial statements for the fiscal year ended June 30th, 2013. So two short years away. The new financial reporting proposals are design to standardize how pension plans and local governments disclose pension information, so that it's easier to compare across pension plans. I want to stress that the rules only apply to the accounting and recording of pension information. They do not change how the plan's actuaries would calculate the City's annual required contribution which is still within the retirement board's purview. They do not affect also how local including us would fund their plans. The proposed rules would result in additional actuarial and accounting work that has to be done in preparation of the financial statements for both the pension plans and the city. The actual implications won't be known until we have our actuaries study all of this information. It would be helpful to request that information. In fact the city has already sent a memo forward to the retirement boards so

that we can have a better understanding of the implication of the proposed rules. And with that I'd like to turn it over to Mr. Johnson to explain some more of the implications.

>> Scott Johnson: Thank you, Sharon, Mr. Mayor, members of the council I'd just like to briefly go over with you the proposed changes that GASB -- GASB is proposes the best practices that they're currently reviewing and how that may impact our financial statements in the future. So first, I have several comments in regards to the unfunded pension liability. They would be measured using the market value of plan assets and recorded as a liability on the face of the City's financial statements. You know, currently under GASB's current accounting policies we're required to report based on the actuarial value of assets. And we only report those in the foot notes. This is a major change where GASB is proposing that we actually book the liability on our financial statements and it would directly impact our financial position. The change, we haven't had valuation done but looking at our last financial statements for June 30th, 2010, this would basically increase our unfunded liability, if that was effective June 30th, 2010, it would basically double that unfunded liability, going from $1.1 billion to $2.1 billion if we used the market value as of the date of our financial -- last financial statements. In addition, the governments and the pension plans, the city and our pension plans would be required to use a blended discount rate. This would result in a lower assumed rate of return for financial reporting purposes that would have an impact to increase the unfunded liability that the city would have even greater than the $2.1 billion that I mentioned earlier. So clearly, that would have another significant impact in regards to the City's financial position. In addition the changes to the unfunded liabilities would be incorporated into our expenses. We'd actually have to recognize pension expenses in an accelerated rate compared to how we are currently recognizing those expenses. More specifically, we'd be required to immediately incorporate any pension expenses, where there's any change in liability resulting in the granting of any new benefits, any new pension benefits we'd have to recognize that liability immediately on the financial statements, and show that as an expense for that particular year, in which those additional benefits or new benefits would be granted. And in addition, consistent you know our current plans require that we recognize or smooth the actuarial gains and losses that are greater than or less than the assumed rate of return. We currently smooth those over five years. There are some pension plans that smooth those over a greater period of time. So GASB would require us to smooth them over a five-year period of time, that would have no impact on our financial statements because we are already smoothing them over a five

year period of time. In addition I just wanted to mention that based on GASB's potential proposes the city is in a little bit better position that some other governments primarily for two reasons. First, where some plans amortize their unfunded liabilities over periods of up to 30 years or more, both of our pension plans currently amortize over a shorter period. So GASB is proposing that the unfunded liabilities, how we recognize and amortize those liabilities will be concurrent with the expected service lives of the employees that work for city. So therefore, that would shorten our amortization period but it wouldn't have such a significant period as some of the other pension plans that amortize over a 30-year period. Second, our plans already smooth as I mentioned our investment gains and losses over a five-year period. So what GASB's proposing to do that smoothing as a standard for financial reporting purposes over five years, that would not have a significant impact because we're already recognizing those smoothings of investment gains and losses over the five year period. So finally I also wanted to mention that GASB is proposing some further accountability and transparency through enhanced disclosures. We already have significant disclosures in regards to our pension plans on our financial statements. However as I mentioned, we do not actually record the liabilities on our financial statements. GASB proposes that we do that. But relating to enhanced disclosures, the propped rules would increase the amount of information that would be required to be included in our notes in our financial statements. For example, GASB would require that we disclose the basis for selecting the discount rates, they also would require that we provide a sensitivity analysis showing the effect of our net pension liability with a 1% point increase or decrease in the discount rate. That 1% could have a significant impact on what our net pension liability could or may be. Also, they're considering requiring us to disclose the components of the change in the net pension liability as well as the components of a government's pension expense and then, finally, showing a ten year schedule containing a variety of pension information. So in closing, as Sharon and I have issued this joint memo through the City Manager's Office, it's important to understand as Ms. Erickson pointed out that GASB is considering these best practices. They're asking for public input and comment. However, GASB is anticipating that the implementation daylight for these changes would be effective for the City's financial statements for the fiscal year ended June 30th, 2013. So we are work very closely with our external auditor and reviewing the exposure drafts and any changes that are being proposed by GASB as it relates to our required financial reporting.

>> Mayor Reed: Thank you. I just need you to explain the GASB process. Because they've been working on this for a year and people have been commenting on it for a year but that wasn't the exposure draft. That was some other kind of a draft. I don't know what they call it.

>> Sharon Erickson: Yes, they do the preliminary draft, this is basically their final draft. So they are soliciting comments. We aren't suggesting that City make comments at this point. We are just proposing that we monitor the situation so we know what the impact is on the city. They do -- GASB does expect to go final with whatever their recommendations are and this would apply to all state and local governments. By the way it does not apply to the federal government. Just applies to state and local. But it would be effective June 30, 2013. So we'll have at least a year's warnings once they settle in on what those standards would be. If I could just also add, this does not change what our pension system costs. It doesn't change any of our costs. It changes how we report and other people report in financial statements. Which is something very important to people like Scott and myself or to bond rating agencies but it does not change the basic cost or the way we fund our pension system. It's merely the way we report that liability.

>> Mayor Reed: Thank you. Other council questions? Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. First off, on the GASB discussion, I think this is a very good move from an accounting standpoint. Because we've seen how difficult it is just to compare pension systems, and compare unfunded liabilities. And it's always not even as close as apples and oranges. Sometimes it's apples and zucchinis trying to be compared. I think this will give a very good standard for everyone to be able to compare what's happening when somebody takes on some significant pension reform, versus when people say they're doing reform but there's no real reform behind the reform. And we'll be able to really see the quantifiable differences. I think it's also important because it's really going to highlight the intergenerational transfers that have been happening in these expenses. And I think that's a key -- very key component. And the sensitivity analysis I think is really important as well. I know we get that information at that time retirement boards, from the actuaries and through the different presentations. And I think it realize helps educate and show perspective on where things can be, or where they should be. So I'm very glad to see that going. I don't know if we as a city are planning on

giving any input to GASB. If we are I think it should be that we encourage this type of legislation and regulation because I think it will be good for everybody, both here as the policy makers, be able to look at really see what's going on but more importantly for the public so that they can have a clear picture of what's happening with our liabilities. Now do we normally participate in that, Scott?

>> Scott Johnson: Councilmember, generally we don't provide the input but I would say that to the extent that the hearings are local, we do generally attend the local hearings to get the input to hear all the issues. So the more that we can hear and participate in the particular issues then the better it is for us in implementing what GASB is pronouncing upon us.

>> Councilmember Constant: If you could send me and perhaps my colleagues would like it as well, a link to the milk meetings.

>> Scott Johnson: Okay.

>> Councilmember Constant: So we have an opportunity to monitor that as well. Going back to the survey, the ballot measure polling results. It's not surprising to me that there's not much support for an increase in taxes, because we know that where we sit in the economies, the way it is, people some the families and businesses of San José and elsewhere have been hit repeatedly with increased costs everywhere they turn around. I think it's realize incumbent on us to find ways to correct our situation without going to the ballot to ask for increased money. Especially if we haven't got real solid reforms locked in for people to count on. I don't want to take Sam's motion away but I'll give you a tentative second to the motion you're about to make.

>> Mayor Reed: If you are reading Councilmember Liccardo's mind correctly. Councilmember Liccardo.

>> Councilmember Liccardo: I would like to take the motion to decline going forward in November with a ballot measure. And of course, adopt all the staff recommendations as well.

>> Mayor Reed: With the second to Councilmember Constant, right?

>> Councilmember Liccardo: Thank you. I certainly agree with Pete's assessment about and Sharon, I guess oh, Sharon I guess I wanted to follow up because I know -- I know you just -- sorry to ask you to come back down. But I just had some questions about this news, because obviously, it's -- I suspect that while you say that it's not going to increase the cost, technically, the reality is, is that municipal bond markets do drive decision-making. And I can't planning that as municipalities across the country watch their unfunded liabilities balloon, and let's face it, we have been more proactive than most in terms of trying to adjust our assumptions to reality. But we're facing an extraordinary increase in our own unfunded liability. And at least in how it's reported. Ultimately this will be driving decision making around amortization rates, and in assumptions that retirement boards make, that will ultimately increase our costs. Well, at least the costs for most cities, isn't that true?

>> Sharon Erickson: GASB is putting out best practices. So the fact is, Scott mentioned that we already have a five year amortization that we have a 20 or 16 year close -- five year smoothing, we have a closed amortization period. Those things, I'll put San José in actually a better position than some jurisdictions but yes, as we see -- that's why I felt it was so important, Scott and I, to put this memo out to let you know where we stood. Some jurisdictions will seize a much larger hit than others. And by setting best practices, although the GASB has no authority to tell us how to fund our pension plans, there will be certainly a push in that direction. Yes.

>> Councilmember Liccardo: I mean the actuaries are going to be listening, I assume and they'll be making decisions based on GASB guidance, is that fair?

>> Sharon Erickson: Yes, I believe that's fair.

>> Councilmember Liccardo: Yeah.

>> Scott Johnson: Councilmember, I just want to make a couple comments to your question. First of all, your question -- your comment in regards to the financial markets, you may recall when we recently went forward with

our disclosure documents for the airport we talked at length about the disclosures related to our pension plan. And we now have a 36-page document. So the rating agencies are very much aware of our liabilities, although they don't show in our financial statements in the face of the financials, they're in the footnotes. And plus we have much more disclosure actually in our bond documents in regards to our pension plans so one we get our ratings they are watching to see how the city deals with our liabilities and house responsible our retirement boards and the city are in regards to paying, you know, the debts, the liabilities of the city. Just want to also reflect on you may recall you know GASB 43, 45, related to other post-employment benefits for mainly retiree medical. And the same thing, where the rating agencies were looking at how we were addressing as a city our unfunded liabilities as it relates to our retiree medical program. And so I think it's to your point, it is going to be very important to connect with the retirement boards to see how they're moving forward related to the best practices that GASB is recommending and how we connect that you know with our entire financial structure for the city.

>> Councilmember Liccardo: Okay, thank you. I appreciate that you did obviously attempt to estimate the impacts on the unfunded liability, based on the change from actuarial value to market value in the valuation. I recall you mentioning something around blended discount rate. I assume that is for the return assumption is that right?

>> Scott Johnson: Yes, that's correct. So what GASB is proposing is more of a blended rate. Actually it's very similar to what we're doing on our GASB 45 related to retiree medical where we currently use a blended rate. We use a long term rate and then a shorter term rate. And GASB what they're proposing is if we're not fully funded we use a combination of the assumed actuarial rate and then the rate that we would be paying if we were to issue municipal bonds.

>> Councilmember Liccardo: That's the risk free, right?

>> Scott Johnson: Closer to the risk free. Our rate would be lower because we pay a lower rate because of our higher ratings.

>> Councilmember Liccardo: So should we assume that what we are going to hear from retirement boards and from their experts is a recommendation to substantially reduced our return assumptions?

>> Scott Johnson: I cannot speculate on that. I just want to reiterate what Ms. Erickson was saying. And recently I went to the GFOA, the government finance officers association, they had a training by a GASB representative there. And what they wanted to really point out is that this is for financial statement purposes. It's not necessarily -- they are not promulgating what retirement gourds, what suggestions that they're using and so we could see whether we have a separate set of assumptions for financial statement purposes and a totally different set of assumptions for retirement contribution. Required retirement contribution assumptions.

>> Councilmember Liccardo: Oh, that's confusing, I can imagine it's going to be a mess if we're keeping two differently sets of books.

>> Mayor Reed: Councilmember Liccardo Before we get further on I want to just check on your motion and see if you would include items D and E as well because we actually do need to defer to September 20th the declaration and defer the discussions so --

>> Mayor Reed: The motion would incorporate all of staff's recommendations.

>> Mayor Reed: Yes.

>> Councilmember Liccardo: Thank you, mayor. I appreciate, thank you for the information. Very sobering, not that we don't have enough sobering in the O&M we would need to be increasing sales taxes every four months to keep up with the kinds of scale of increased costs that we are facing here, and the news that we are hear from Pete around the changing assumptions just on I think our demographic assumptions, just coming from one of the two boards, it's certainly very ominous. So I recognize that we've got a lot of work to do still here. The one thing I did have -- one question I did have about the polling, one surprising result, I don't think any of us were surprised that tax increases oar heavy lift or difficult to ask these days. But the fact that there realize was no impact on voter

support for any revenue increase as a result of any assurance that we will have addressed this retirement benefit problem, to put it nicely. Is that consistent with what you're seeing in other cities? Or do you think there's something about the wording of our questions?

>> It's a good question, Councilmember Liccardo, and I would say that it is generally consistent with what we're seeing in other cities and I'd point to three reasons for it. The first is, what appears to be no movement, is actually movement in two directions happening at once. There are some people for whom the completion of a restructuring of retirement benefits would make them less inclined to support new revenue and there are some for whom it moves in the other way. The net effect is minimal. But I think a bigger factor is the second reason I'd point to which is for most respondents their reasons for supporting or opposing a sales tax increase are not contingent on a restructuring of the city's retirement benefits. They're contingent on their own personal household finances, their sense that services really are at risk, and that therefore, at a time when they're feeling pressed, that they should take more money out of their pockets to help address those problems. We have seen over the course of our last three or four surveys for the city, and this was noted in the memo we submitted to you all, when we asked people to choose between whether they would prefer to solve the City's problems with additional revenue or with further cut to services, over time the palatability of service cuts has been declining. In this survey, for the first time since we've been asking the question, we had a plurality, that said they would favor a revenue increase. Now, it was not a majority, it was only a little over 40%. But the trend, and I think this is consistent with the fact that the city has been steadily cutting back, is that residents are getting less amenable to further service cuts and their eyes are more open to new revenue than they have been before. Even with that obviously, given the number that we saw here, support for a sales tax is still very soft but I think that has to do with the bigger picture, economic conditions than it does with voters understanding of the cost of employee compensation.

>> Councilmember Liccardo: Thank you, and I appreciate all the work. It's certainly helpful to be able to ask the questions and get the answers as we have and certainly gives us good guidance to focus on in the future. And I think really combined request what we're hearing from GASB, I think this really tells us very clearly we need to focus on our problems right here at City Hall, and give them some restructuring. And you know, I suspect that in some ways GASB has rung the death knell on defined benefit programs in a substantial way. I'm not sure how,

with the reporting requirements that we're going to be facing in the next couple of years, how any municipality is going to be able to sustainably carry defined benefit programs into the distant future. So this will be certainly interesting to watch, to say the least. Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you mayor, to the council some City Manager City Auditor, raising sales tax like some of our neighbors have like Campbell, at the same time we have an expiring library parcel tax. When does that expire, the library parcel tax?

>> City Manager Figone: As I remember councilmember it's 2014. And as we've talked internally, right now our thinking would be to recommend that you go a year early in the event you have to go again.

>> Councilmember Oliverio: So quite possibly we might have a library parcel tax and a sales tax in November 2012 with the idea that if the library parcel tax failed we could try once more in 2014?

>> City Manager Figone: Right or a special election in 2013.

>> Councilmember Oliverio: Okay, thank you.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you mayor. As far as questions are you looking for those to be specific to the poll right now or overall questions on the entire item?

>> Mayor Reed: Anything under 3.5. We're just taking them all now on all of these items. In whatever order you prefer.

>> Councilmember Rocha: Okay, I guess let me start with really a question as to the deferral item. And so I'd better understand why the deferral and forgive me if it was listed somewhere. I understand it wasn't in rules and I didn't see it in any documents but given the July break I may have missed it.

>> City Manager Figone: Okay. D and E are recommended deferrals. D is a recommendation to defer the discussion and your consideration of declaring a fiscal and what was previously called public safety emergency. Staff has been referring to it in my comments as a fiscal and service level emergency. And we're recommending deferral of that item to really tee up for you a conversation about the service level impacts that the city has experienced to date, given the adoption of your budget in June. And for you then to be able to factor those service level issues into your consideration as to whether or not the council will be declaring a fiscal emergency, and so that's why that deferral is in front of you. The second deferral is about the decision to go to the blood with the draft ballot measure language that we're currently in discussions with our bargaining units on. The seal beach bargaining as we've been calling it, why we've recommended that deferral is because the framework, the cooperation agreement that has been agreed to by five bargaining units, Police and Fire, CAMP, AEA and AMSP has in it the agreement that we will meet and confer over both the ballot language as well as retirement reform. And conclude those discussions on October 31st, well past the deadline of today, to get something on in November. So that is why that deferral.

>> Councilmember Rocha: So the items were initially listed for action and then deferred at a later date. Was there something that changed between that initial posting and then the deferral or was it just a process?

>> City Manager Figone: It's basically process, you know carrying forward the language that you last saw in June, and then between then and now, the way -- well also, the cooperation agreement really, at that point in time, really determined the deferral of the ballot language. So, you know, it may not have been reflected on the agenda at that point in time, but once those cooperation agreements were struck with those units, for all intents and purposes, you couldn't have put the ballot language on in November and still be in -- in concert with those agreements.

>> Councilmember Rocha: Okay, thank you for that information. I guess I'm still curious though as to why we wouldn't list that or have that as an explanation as to the deferral, for the public or myself over the break, so they understand why the deferral and the expectation to show up for a meeting today. Which I know it's been posted for some time but the explanation as to why we would be deferring either one of these is helpful for me to know and also helpful for me to be prepared and to know what exactly I'm going to be acting today. I'm sorry go on.

>> City Manager Figone: If you're done. So quite frankly we, because of all of the efforts underway we had a very minimalist memo out on a very short time frame, knowing that a lot of the information today would be conveyed through PowerPoint and discussion exempt for the ballot measure memo, which, you know, we were able to put out the report and have some analysis associated with that.

>> Councilmember Rocha: Okay. Not to beat this issue, but I mean there is a policy material fact and for me, items as significant as this I would like to know ahead of time as opposed to having to ask the question today and make the decision based on the answer verbally. Maybe I'm asking too much. Let me jump over to the ballot measure language, and talk about or ask the question about policy and process for the blood measure language itself. I know some of these are new ground that we're walking on and having looked at that ballot measure language once in its draft form, are we not going to have an opportunity to modify, edit or suggest changes until we see it in its final for council action or will that be either a closed session item or maybe even an open session item that I'm not aware we're going to have?

>> City Manager Figone: And if I'm not answering this sufficiently enough I'll ask the staff to help me out. Councilmember, I do think that once we are concluded with our discussions with the bargaining units, that yes, obviously, the council will see the ballot language. To the degree it evolves, as a result of our meet-and-confer discussions, I would assume that some of that would be in closed session and some may be in open session. So I really can't predict right now. But right now the -- again because of the sense of urgency around meeting the time lines, the first draft of the ballot language that is in the hands of the bargaining units and that we are discussing reflects the latest council direction that we did receive. So through the discussions with the bargaining units that language we might bring you recommendations to evolve it and change it based on what we

hear through the proposal process. Before the council can put anything on the ballot you will need to approve the language so you will see the language.

>> Councilmember Rocha: Yes and thank you. So I do understand that really as it's written as a number of those components are all taken from council action. But it may or may not agree with me but as it's written in a ballot measure or draft ballot measure form there's still some statements in there that are made that aren't directly from council direction or action. And those are the kind of things that I'd like to talk and maybe ask questions from staff why it's written in that form because tense and tone can be different than just council direction, so thank you. The -- if it is in closed session normally we'd just have a general description of labor negotiations update or labor negotiations. Will I know ahead of time that we may be discussing the ballot measure language specifically, or will it just be a typical Tuesday morning in closed session where we show up and that's the item that we're going to discuss that particular day? Because I'd like to be prepared I guess is what I'm saying.

>> City Manager Figone: Certainly as we move forward if that's the interest of the council we can do so. The posting of what the council is going to discuss will adhere under the normal practices opportune Brown Act to basically allow you to have confidential discussions. So we will be as helpful to council as possible. So that all of you can be prepared as we are moving through this process.

>> Councilmember Rocha: Okay.

>> City Manager Figone: One thing though, just similar to the earlier comment. Yes, it's always our intent in our public memos to have as much analysis as possible especially under normal circumstances. We don't like waiving sunshine. We take great pride in our professional work. Sometimes it's not just normal circumstances and our backs have been up against the wall moving into the recess. So I would just say similarly with preparing you for closed session on labor items many times our backs are up against the wall and so we will do our best to accommodate your request. It's very reasonable.

>> Councilmember Rocha: Thank you. I had some minor questions about the polling and some of the outcomes but honestly in the interest of time I can do those offline with Tom, if he's comfortable with it. Thank you very much.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you mayor. I had a question that you probably won't be able to answer but Roxann Miller might be able to. That has to do with the fact that we will have even less sales tax revenue because the state failed to extend the sales tax last June. So I just wondered if there's been any reconsideration of that or any idea of what the impacts will be without that money? Roxann, hello. Welcome.

>> Roxann Miller: Good afternoon, Mr. Mayor, councilmembers. With regard to the status of the sales tax you may recall that we were short two votes in each house. That led to the critical junction, where in desperation, that there was a sea of additional added cuts that were made to make up for those losses. At this point, I think the politics have not changed in Sacramento. So --

>> Councilmember Pyle: For the sake of two points, two votes rather, we're going to have to suffer up?

>> Roxann Miller: Let me suggest though that has been reported in the news we now have the finishing product from the map-drawers, for the new district lines.

>> Councilmember Pyle: Good.

>> Roxann Miller: Those are not only assembly senate but obviously board of equalization as well as the members of Congress and the senate. So there is a lot of meshing of teeth and looking at those very carefully. A lot of attorneys, a lot of challenges that are threatened. And at this point, there has been a suggestion made by some of the experts that if there was to be impact in changing or moving more towards a two-thirds vote of one party to the other, that looks like it is more of a possibility in the senate, 40 members senate, for which two-thirds

of course would be 27, as opposed to what is being speculated at this point, will be the end result outcome on the assembly side.

>> Councilmember Pyle: And then the United States Congress we could always go to amendment 14 section 4 I believe it is, that allows the president to make a decision, to just enact that provision. Does the state have anything at all similar to that? In other words when it comes to our budgets, and that kind of critical need, we don't have anything like that, do we?

>> Roxann Miller: We don't really.

>> Councilmember Pyle: So it would be something that probably would be a good idea to get working on in reference to getting a bill going. Thank you so much.

>> Roxann Miller: Thank you.

>> Mayor Reed: As long as you're here sorry Roxann as long as you're here a question regarding the status of the bill that Senator Steinberg was carrying to authorize local governments additional opportunities to raise taxes. I think he turned that into a two year bill so it's not yet out of the legislature.

>> Roxann Miller: Yes, you are correct, Mr. Mayor. On that piece of legislation it morphed into maybe a second vehicle that was needed. That was put out there, somewhat as -- with some speculation to see if there might be anything that reaction from the majority party particularly the Democrats in the senate, could move or provide for further engagement by the Republican caucus. Actually, what happened was, they did get a lot of attention, as you're alluding to and it certainly got a lot of attention by the business community and others, who came back and said really, any energies, any discussion with regard to raising taxes at this point or new revenue sources given the state of the state's economy and the lack of real progress in growth, would be very counterproductive. So that proposal is on the side at this point. It's interesting too, as well, Mr. Mayor, that senator Steinberg started out with a proposal that offered new revenue generating authority for counties and special districts. And not for cities.

>> Councilmember Pyle: Good grief! Once again.

>> Roxann Miller: We are, indeed, very popular.

>> Mayor Reed: Good to have friends in the legislature.

>> Roxann Miller: And again the popularity is most vividly to be acknowledged in where we find ourselves in a rather late night not seen until after a vote really was ready to be taken which you had on your agendas, that the City Manager made reference to and that was the sweep of $130 million in city vehicle license fees. We are going to be working very diligently, we already are, four weeks left in the session when they return starting August 15th. So there will be a lot of horse trading going on, a lot of discussions including the state's view of what should happen in the pension. So we will be working with both parties as we are right now. We have some good, good allies, certainly, in law enforcement. This is a direct frontal assault on city law enforcement and Public Safety, and our General Fund budgets. So we'll see.

>> Mayor Reed: Thank you. Councilmember Kalra.

>> Councilmember Kalra: Thank you, thanks Roxann for that summary update. And just looking at the polling, and it's always interesting to look at, I'm always interested in the demographics but particularly when you're focusing on those that are most likely to vote in a November special election which is traditionally a very low voter turnout, and if we look at and I'm not going to go through the details of it but just very generally speaking the demographics tend to show an older, wealthier class of individuals that are going to end up voting compared to a presidential primary or certainly a presidential general which we'll be having next year. And so with that in mind some of the numbers I think it adds even more of an interest to some these numbers particularly the one that Councilmember Liccardo referred to and I think there was a -- you did a good job of summarizing the issue that you know bringing in the retirement reform really doesn't have an impact. But not in -- not in that -- it doesn't move people, it just moves people in such a manner it's a wash. And the reality is that with a broader electorate, it would

probably even have less of April impact with the more conservative base you can imagine that would be more likely to vote in the November 2011 election. Furthermore in regards to the sales tax, the quarter-cent indicating 57%, and I'm curious, what you know I can't imagine that that number ever gets extraordinarily high. No one likes an idea of voting attached to themselves. What is a comfort level at least in terms of your experience in doing polling where it's a more reliable -- more reliable for folks like us to feel comfortable putting something like that on the ballot?

>> It's a good question, Councilmember Kalra. There's a couple of factors that we look for when we assess the viability of general tax measures which require a simple majority vote. There's a rule of thumb about the initial support where we look for there to be at least support over the levels that you would need for approval. And this meets that growth standard. We generally like to see it closer to 60% given that the trend for broad based tax measures like this is for support to decline somewhat over time. We also pay particular attention to that proportion who say they definitely would vote yes, which is one of the numbers that I highlighted before. Ideally that should be 35% or more initially. And here we fall somewhat short of that standard. A lot of the yes votes are coming from folks who say they would probably vote yes or lean towards doing so and I highlighted some of those numbers in my presentation. So the initial position of the voters is one factor. But a second factor is where they end up after they've been exposed to more information. And if you start in the low 50s but are able to drive support up into the 60s after people hear that back and forth that can tell you with a strong campaign even a measure that starts out in a weak place may be successful. Here while the numbers do go up as the voters get more information they do still stay below that 60% level and there's even at the end of the survey a significant proportion who are in that soft yes category. So we'd say that -- there's nothing in the survey that says the measure couldn't be passed this November. Particularly if it were a quarter cent with a nine year sunset the most optimal combination of factors I described earlier. But under the most it would be risky and that's the case for any community that's looking for revenue in California right now with this kind of a broad based measure.

>> Councilmember Kalra: And I certainly would never suggest going to a November 2011 special election for a tax, it makes no sense. But a presidential primary and general election is a different story. With the numbers with the nine year sunset looking at numbers that 57 -- 57%? Yeah, for the nine year sunset on a quarter cent sales

tax, with the conservative more likely voter base, that bodes relatively well going into a higher voter turnout election coming up next year. So I don't think that these numbers at least on the quarter cent are as pessimistic as some have indicated. It's actually relatively good numbers given the voter base that we're actually contacting here. And the prior -- it shows that it's relatively consistent with prior years, around the 60%, 57%, one year.

>> Councilmember Herrera: A 54% and 62% now, I don't recall in those years what base, voter base was being asked, whether it was a special election voter base or a general election voter base or a traditional primary voter base. Those would have an impact but knowing it's a special election off cycle voter base it is a pretty good number you look forward in the future, certainly not for this November but to look forward to.

>> Yes.

>> Councilmember Kalra: Furthermore I'd -- on page 9 of your report, here, well actually we already went over the point of the retirement issue not having too much impact. Going further to page 10, there was a brief discussion on kind of the change we're seeing, in terms of individuals willingness to sacrifice reduce, further reduce city services. And in the July -- in the most recent polling we did only 10 pictures actually preferred that over other options or 14% don't know. So 9 out of 10 people polled again with a conservative voter base did not -- you know chose not to tax our or reduce already far reduced city services. Which I think is quite telling if you look from two years ago, it was at 20 or actually one year ago, it was at 21%. So in a year I think that just speaks to the cuts that individuals are taking, that we're having, on the -- the effects we're having on the community. I think it's a dramatic impact and people are starting to feel it, and they're not willing to have their services cut anymore. And if you have a broader voter base, that number is going to be in the single digits as people that are willing to allow for services or at least prefer services to be cut. Going to figure 12 on page 11 as was noted for the first time raising revenue has now surpassed reducing existing city services. Again with the broader voter base that number -- that difference is going to be even greater. And I think those are things that we as a council certainly need to pay attention to as we look -- as we try to balance the numbers in terms of the importance of going to the blood for a revenue increase as opposed to continued cuts in services. The reality is that both may have to happen anyway, even with a quarter-cent that's not going to be a savior but the reality is it does reduce

the extent to which we have to cut services. And so I think that this survey does give us some really important information particularly in regards to trending. And we do see trending certainly in terms of folks that are not -- our residents are not comfortable with the equal cut in services. And I think that the sales tax number was -- is better than one would suggest just looking on it black and white because it's a November 2011 voter base we're looking at. And I think it's consistent at least from what I've been reading in the newspaper nationwide, that we're seeing more of -- more support for individuals looking at revenue increases including taxes, to try to offset the dramatic service cuts that are occurring. And I don't think any of that takes away from our need or our desire to deal with the pension issue. That needs to be dealt with. But I think those are two different issues we're talking about here. And as I indicate and I think it was helpful to hear that individuals look at their own pocketbook and their own family situation when they assess these sales tax increases. And so we'll definitely look at employment numbers, continue to do whatever we can to help our local companies recruit and increase our sales tax and property tax rolls. Given the fact that the motion here is essentially continuation of direction, but just a deferral on a couple of the items on D and E but the continuation of direction that was given on June 24th, I still have the similar concerns I did on June 24th regarding going forward with some of the legal concerns I have with going forward with the fiscal emergency, as well as the draft ballot language, which was recently released which was very similar and raises some of the same legal issues. And I think my concern is that it seems like we're walking a line to ensure that realize, you know, we're kind of checking boxes. But I don't think that gets us where we need to be in terms of real pension reform. I think real pension reform is ultimately going to have to come in a manner that we can feel comfortable, we'll feel comfortable will get us real results in the short term as well as some long term savings. And I don't think the route that we're taking is going to go there so I will not be supporting the motion.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I understand that we need to declare the fiscal emergency if we put a ballot measure on in November. Do we need to declare a fiscal emergency if we're just going to put a revenue generation ballot on next June's election?

>> City Attorney Doyle: No, councilmember the -- and I want to be clear about this -- the scam emergency declaration that we talk about with respect to a tax measure.

>> Councilmember Chu: Tax measure.

>> City Attorney Doyle: It is a proposition 218 requirement that in an off year election, to have a general tax --

>> Councilmember Chu: Off year.

>> City Attorney Doyle: Which is a 50% plus one approval required tax. You need to get a unanimous declaration of emergency to put it on the ballot. That is a fundamentally different type of emergency that we've been talking about with respect to pension reform.

>> Councilmember Chu: Okay.

>> City Attorney Doyle: This is a prop 218 requirement. There really aren't any -- any guidance other than the constitution that says, you have to declare an emergency but it's very different than what we're talking about with pension reform.

>> Councilmember Chu: Great, thank you very much for that clarification. So we don't need to declare the fiscal and public safety emergency for November -- for June ballot. Why do we need defer it to June -- September 20th? Why don't we just take a --

>> City Attorney Doyle: Because this fiscal emergency is the one in connection with the possible pension reform.

>> Councilmember Chu: Oh the one that was deferred in connection with pension reform. Okay. And I'd like to know Scott when we declare a fiscal and public safety emergency, what kind of impact would it make to our bond

ratings would it make to the finance? You probably don't have to answer it now but I'd like to have that information sooner than -- if possible, as soon as possible.

>> City Manager Figone: Yes, we'll factor that into the discussion as we're preparing for that council item.

>> Councilmember Chu: Okay, good, thank you.

>> Mayor Reed: Okay anything else on all of these collective items under 3.5? I had just a couple of questions or comments on the polling. I agree with Councilmember Liccardo's motion so I'm going to support it. I think November of 12 is the -- probably the best time generally speaking to put a tax measure on, presidential runoff, last time we had the Obama effect that I think got us a couple more points on our BART sales tax measure to get to the two-thirds. Or like it's a much different electorate than we're looking at now. Maybe June is better than November, I don't know. We'll poll again, these other routine polls we have been doing in January. We'll see if there's a better way to look at it as we structure it and we make our changes. And I think that we do have a much better chance of getting some revenues if we are in a position where we can say we will restore services with these revenues. We are not in a position where we can say that now. Right now we're trying to avoid cutting services, and it's a little bit different I think in the public's mind and it's pretty clear that our people do not want us to cut services. 10% that's their first choice, only 10%. But nevertheless we're faced with cutting services we just did and queer going to have to do that again and even if we can get a quarter-cent sales tax, that's around $30 million, plus or minus a couple million I guess, our retirement costs next year are going to go up more than $30 million. There are multiple things we have to do a lot of things that are going to be necessary to solve the problem that we're facing, the fiscal reform plan that the council has approved contemplates and assumes that we're going to get I think $46 million with new revenues, a sales tax would generated part of that. And so we're looking at other opportunities as well and we'll continue to do that. Because ultimately we're trying to protect and preserve the jobs of our people and the services what the they perform, and -- but if you're going to get new revenues you got to get the voters' agreement to do that. That's the world we live in, that's California and that's what we have to do. It clearly is not going to happen in November of this year and we'll look forward to later opportunities as we go through this. On the motion, Councilmember Liccardo had a motion. All in favor? Opposed? One, two opposed,

Kalra and Campos opposed. Motion is approved completing our work on item 3.5 today taking us to item 4.1, actions related to the Novellus vista Montana development park land and environmental agreements. I'm going to take up item 4.1, 4.2 and 4.3 together. So we can get whatever testimony there might be or staff reports there might be on all three of those items because they're all tied together. Take just a minute to swap out the staff. Joe Horwedel.

>> Joe Horwedel: Thank you, mayor. These two items are related to some revisions to the parks proposal for residential project in North San José and associated industrial development, the applicant's here and I think wants to make a short presentation and staff's available for questions.

>> Mayor Reed: Thank you. Before we do that I want to disclose I met with the CEO of Novellus, Rick killback, in February 2007, and he talked about how important it was for his continued operations there and his employees to have like a cricket pitch or soccer fields, retail and housing close to his million square feet of headquarters campus for Novellus, in order to attract and keep the best engineers. And part of this project they're dedicating a five acre site for a park because they know that their folks would be happy to enjoy it. And they're going to help pay for the maintenance of it for many years. So it also goes in with the housing developer that's dedicating a neighborhoods park there as well. So it's a great collaboration, a partnership that's been put together among all the different players, Novellus, residential and the city and it's not always easy to put this stuff together and I want to thank our planning staff and our lawyers, Jeannie Hamilton, Nap Fukuda from ESD, Matt Cano and Glen Rock from Parks, Renee Gurza, Mollie Dent and Johnny Pham from the City Attorney's Office to make all this work. Looking forward to having a great park there. And this is part of the implementation of the vision that we had for North San José that Councilmember Chu and I have both been working on. So I'm pleased see this moving forward and with that we'll hear from the applicant, I guess. Eric Shanehauer.

>> Good afternoon Mayor Reed, members of the council, my name is Eric Shanehauer and the Shanehauer group represents equity residential on this application. I know you'd like to get through with your meeting but this is optimistic news so I'd like to make a minute to talk about it. The items before you basically set the parameters for how we will construct actually six acres of new city park, a five acre community park, a one acre neighborhood

park, that's the purpose of these agreements. So we're hopeful that you will support it. We're in complete agreement with the staff on this, on this item. We did want to take the opportunity to thank the city staff, the mayor's mentioned many of them but Matt Cano and Glen Rock from the parks department, Nap Fukuda from environmental services. Jeannie Hamilton in the Planning Department. We had the distinct opportunity to work with three different City Attorneys on this. Johnny Pham did the park agreement, Mollie Dent did the environmental agreement. And Renee Gurza did the development agreement amendments. So we thank them for their work. In particular we thank Mayor Reed and Councilmember Chu for their steadfast support for implementing the vision, North San José plan. If you go up there today you're really already saying a transmission transformation take place. As all of these projects get under way with this approval, it will allow us to pull our building permit next month and commence construction out in the field so we hope you'll support it so we can get the jobs and property revenue moving forward. Thank you.

>> Mayor Reed: Thank you. Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Like to move to approval of 4.1, 4.2 and 4.3.

>> Second.

>> Mayor Reed: We have a motion to approve all three items. I have no other cards from the public, correct? No other public testimony on this. Councilmember Liccardo.

>> Councilmember Liccardo: Just a quick question. Matt I know we've had some offline conversations about this, specifically regarding we're all trying to get with many of our agreements about trying to get sustainable partnerships in place with developers or land owners arounds maintenance contracts. I just wonder are there ways in the future where we could think about trying to ensure that if all goes poorly, that is, in case of insolvency or bankruptcy or whatever may happen, in those out years we can still be sure that we will get payments to take care of that maintenance? Are there ways in the future where we can work that in the agreements?

>> Matt Cano: Yes, thank you. Matt Cano acting director of Parks, Recreation, and Neighborhood Services. As you referenced per the agreement, Novellus is actually giving us about $4.5 million above the park land obligation, $3.5 million towards park improvement and $1 million towards maintenance. The $1 million is going to be in 14 annual payments of $75,000 each the first one will be coming soon and in the future will look more at how do we make sure that we -- right now per the agreement they are held liable to make those payments but we'll continue to look at strengthening that language if we do something like this again.

>> Councilmember Liccardo: Thanks Matt. In this case obviously as you say it's above and beyond their park land obligation but we're certainly thankful of Novellus willingness to step forward. But we are certainly contemplating how to do this in other parts of the city perhaps with in lieu fees looking for agreements of this sort. So anyway I hope we can focus on that in the future. Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Joe remind me and maybe Matt as well the additional $4.5 million that's above and beyond was that the sweetener that was proposed during the entitlement process?

>> Joe Horwedel: That is the reason for doing the development agreement. As the council is aware we do development agreements when there is extraordinary benefit that comes to the city. And that was part of the negotiations with Novellus. They wanted certainty that they would be able to have industrial square footage over time as well as doing the residential project. So it was part of a package that we negotiated.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: And Novellus does get substantial benefit having a park right there for their employees. I mean they view that as an important park for their people. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. The item was touched on a little bit by Mr. Shanehauer but I was curious as to the status of the project mention building permits is going to be pulled. Is this a full buildout of the entire project or is this phasing?

>> Joe Horwedel: This project has several pieces to it. There is an intervening parcel in between the two sites. They will have the first phase under construction and then through settlement -- or the satisfaction agreements we have with North San José residential developers they have a time line to get the last phase under construction by date certain.

>> Councilmember Rocha: How many units?

>> Joe Horwedel: 998.

>> Councilmember Rocha: And how many phases?

>> Joe Horwedel: That's all phases, three phases, two phases.

>> Councilmember Rocha: Okay, thank you, thank you very much.

>> Mayor Reed: Just to let the public in on that conversation the first phase is 444. I think that's what I heard. Okay. And it's two phases. Anybody else? I had no other cards. I have a motion by Councilmember Chu. Al in favor, opposed, none opposed, that's approved. Thank you for that, congratulations everybody. Important project. Get some people to work! Including a few planners and building inspectors and lots of people who --

>> Joe Horwedel: Getting lots of building inspectors to work.

>> Mayor Reed: Good. Our next item is 4.5, agreement with the City of Campbell, for actions related to the reorganization of Cambrian 36 area, somehow that number is familiar, I can't remember exactly why, but it will come to me in a minute I'm sure. Councilmember Rocha.

>> Councilmember Rocha: Is staff going to make any comments or presentation or --

>> Joe Horwedel: Just a very few, Mr. Mayor and council. Staff is asking for council to dell gate the authority to the City Manager to complete the agreement. Scott Johnson and the rest of the city staff have been working with Campbell staff to work through the deal points that are acknowledged in the memo. We've gotten kind of 99% there and couldn't get it finished for today. We're also asking for delegation to allow the administration to be the applicant to Lafco to move forward with the process of shifting the boundaries. There's a meeting that the Campbell staff has already scheduled with Lafco this week to kick that off. We are moving fast and furious on this, it may not seem like that but it is a pretty monument undertaking to do these types of shifts. It is one that I think really does show the benefit of putting forward what our goals are and sometimes kind of slowing down and looking at you know how do we achieve our goals. And I think the council from both cities took a big jump there and put forward what their goals were and I think is allowing a good thing to happen for both cities that we're asking for your approval.

>> Councilmember Rocha: Thank you mayor. Could we hear from the public?

>> Mayor Reed: Certainly, I've got a knew people that wish to speak. Let's take that public testimony now. Lisa harmer Michael Chrisman, come on down followed by Tom Davis.

>> Good afternoon, everyone reply name is Lisa harmer. I'm the treasurer of the Campbell village neighborhood association better known to you add Cambrian parcel 36. On behalf of my neighbors and myself I want to thank the city council and staff for your on going efforts to achieve a win win situation with the city of Campbell to develop a resolution that allows both our parcels ton annexed into Campbell and maintain the revenue neutral

position for the City of San José. I know this has been a long, drawn out process. Thank you for your ongoing commitment, both to San José and the people of Santa Clara County.

>> Mayor Reed: Michael Chrisman Tom Dave, Ken Procheska.

>> Good afternoon, mayor, council, I'd like to rise in favor of the resolution proposed. First we'd like to thank the council, San José council for providing the opportunity for your city and Campbell to come to agreement addressing our neighborhood annexation, Cambrian 36. A special thank you goes to Councilwoman Judy Chirco. If it were not for her leadership on this issue we would not somewhere this before us today asking for your vote to pass the resolution. We want to acknowledge the planning director Joe he's done a great job in addition to the planning staff, they've worked diligently and in good faith reach a fair agreement with the City of Campbell that meets the council's criteria as was established December 7th, 2010 council meeting so thank you Joe. Throughout the last seven months the neighborhood has been kept informed on the progress of the agreement thanks councilmember Rocha and his staff who have made themselves available to answer any questions or concerns that we might have. They've reached out and has kept us informed on the progress and developments their efforts to communicate with us has made the last seven months waiting for an agreement much more tenable. Their efforts are very much appreciated. Thank you. And as always, thank you to Don Rocha for his guidance and willingness to shepherd this agreement along. So I think this is a good agreement, it is the right thing to do for our neighborhood and we're asking for you to pass the staff recommendation for this resolution. Thank you.

>> Mayor Reed: Tom Davis, Ken procheska David Wall.

>> Good afternoon, mayor and city council. My name is Tom Davis, I'm the vice president of our neighborhood association. I'm here today to thank you for your willingness to consider our neighborhood's unanimous desire for self determination. In particular I would like to say thanks to my former neighbor and councilperson Don Rocha and also to Judy Chirco. We believe that she had a particularly difficult time reaching her decision on this, and we

appreciate the fact that she was able to come round and do what we believe is the right thing. Thank you very much for your consideration.

>> Mayor Reed: Ken procheska, David Wall.

>> Councilmembers, mayor, planning staff, I was one of the people that spoke in December and asked you to do your responsibility and represent the residents and our desires to go into the Campbell area. Therefore I feel with seeing this motion and what you're looking at doing that it's my responsibility, mine, and my privilege to say you did what I asked you to do and what we all asked to you do. You were responsible, you stepped up and I just want to thank you all for doing that. And support the motion.

>> Mayor Reed: David Wall.

>> David Wall: This issue here shows the power of citizens in directing their government. And it should be heralded it as a great achievement I think this group that spoke was at the rules committee at least a half a dozen times Mr. Mayor kicking and screaming. Now this is something you can learn from. Cambrian 36 didn't want to be part of San José. That should tell you a lot. I mean they just almost were on the verge of going into hell and escaped. And this speaks very well of their diehardedness to preserve their life their property values and their neighborhood. It is sad in a way -- I don't take any joy from this but when you have people that do not want to be part of San José, now, that is very, very significant when the decision makers are basically the problem. And it is very sad. Because it does give rise to another issue. Can a certain section of San José secede from San José? I mean just flat out say we don't want to be part of San José? Away we see here today is an outstanding resolution to save these people to go to a city who doesn't have deficits, that don't lay off their police department or fire department. Now, why is that? Why is San José the only city with these deficits? It goes to the decision makers. Cambrian 36 I applaud your efforts.

>> Mayor Reed: That concludes the public testimony. City Manager.

>> City Manager Figone: Thank you, mayor. I too just want to add my thanks to Joe. He was very hands-on in this, took a personal interest in make it happen. And brought Scott into it. So thank you. And also to Dan rich, City Manager, former City Manager of Campbell, very hands on and now Al Bieto the acting City Manager will help us get it over the goal line so thank you Joe and Scott.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I do have one question. It's more in relation to the potential did he annexation of the San José property or finger that goes back into that area and how we're going to deal with that. You spoke to very briefly just there but if you could expand on that a little bit because my concern in these two memos there's not a mention of that in terms of leadership, who's maintaining, who's going to take the cost of that effort, how we're going to do the outreach to those residents. What that might mean, let's say hypothetically, hope there doesn't happen that the residents are supportive and how that would affect those agreements, if you wouldn't mind please.

>> Joe Horwedel: We did talk about the general issue in the memos. The thought is that it would be a joint effort with City of Campbell and San José staff in working with the central park drive neighborhood. It's about 50 or 60 homes in that area. So we have not done outreach out into that area yet. As a part of the Lafco process clearly we need to do that. We did talk about that it is one of the things that Lafco has predicated at least in the past when we've talked with them about this shift that we do need to make this adjustment. My understanding is the residents of the Cambrian 36 areas have started discussions, or had already had discussions with residents in the area about this concept. It's something that we've talked about over the last year about, as we've dealt with Cambrian 36. But it is something that we really do need to really ramp up and start in that direction. It is one that in how we've had discussions with Campbell is that they would be the applicant to Lafco so we would be supporting that application and so that's part of the logistics, we're working out some of the nuts and bolts of the things like this. Is a joint letter, is it from Campbell how we introduce ourselves into that area.

>> Councilmember Rocha: That's what I was going into, really, would we see that in the November election, the cost to submitting the application the leads agency on those issues. But also again to the other point about what if this unfortunately doesn't work out with that group?

>> Joe Horwedel: Yeah, and so you know that would be the discussions with Lafco this week, is some of those permutations, as I said that in the past Lafco staff has said that their recommendation to Lafco board would be predicated or conditioned upon that change, you know, detachment from San José going to Campbell also. But that ultimately would be the Lafco board decision around that. We do think it's the right, you know, if we're going to do the switch with Cambrian 36 we do think it's a logical boundary and going back to our foundational issues, a logical service boundary was at the top of our list of why one way or the other of how to make the decision of annexation. So it's one that being true to our values, we think we do need to follow through on that one. And so it is one that I think city staff will be spending time on that. You know, I think, you know, we are not doing the annexations anymore so it will be into the world of General Fund staff that I'll just pull off of something else to finish it off but our goal is to minimize our exposure for cost on it.

>> Councilmember Rocha: Okay, thank you. I want to also voice my thanks to a number of folks and first one is Vice Mayor former Vice Mayor Judy Chirco and her leadership on this issue really in the sense of allowing for the dialogue to continue. And also City Manager's office for their time on this and your time as well, Mr. Horwedel. Around the residents as well who stayed committed to these issues and especially those who approached me, but not only that, the City of San José in a respectful manner and really verbalized their interest and issues. As because mentioned by Mr. Davis, former neighbor of mine. I lived in central park drive so I knew the area well and I knew a lot of folks out there. So especially also Mr. Chrisman who I talked to quite often, very, very often for a good amount of time and his time and commitment to this and his professionalism in speaking to both myself, City of San José, City of Campbell and other elected officials, I think without his efforts and Mr. Davis this would be a very difficult issue. So thank you. We're not there yet I understand but this is a great outcome I'm hoping come November we'll have the best outlook for everybody's interest so with that I'd like to move staff's recommendation.

>> Mayor Reed: All right we have a motion to move staff recommendation. I any Councilmember Constant got is the second. Councilmember Constant.

>> Councilmember Constant: thank you this has been a long time coming. I remember when this first surfaced I was the chair of Lafco, the Lafco rotates through members and I'm about to become the chair again. That's how long it's taken for this to come around, and I thank the residents who stuck with it because this has been a very long and painful process I know. I think to hear you I'm sure we're going to be unanimous today. I'm going to be very hopeful that that's the case. And that's a far cry from the 10-1 votes or 9-2 votes I think it was a few years ago when we started on this. So very happy to see this progress. I think I also want to thank Joe. I spent lots of time speaking to Joe about this both in my role as a councilmember and also in my role as the chair and vice chair of the Lafco commission. I know that Lafco staff hasn't always been 100% supportive of the different variations and permutations that we've gone through here but I can tell you based on the discussions of my fellow commissioners they've always been supportive of the plight of the residents in this pocket. So I'm looking forward to its coming through Lafco this year as I'm their chair. I think it will be I hope a very smooth ride on that end. At least I'll do my part to make sure it is because I do think that this is the right decision that we've made, and also want to thank Evan Lowe. Because Evan really took the lead on this on an elected to elected basis. We talked about this almost daily for a while as we were trying to get this process through, as well as Dan rich. Had a lot of conversation west him. So I'm just glad to see this happen. I hope it's a unanimous decision on behalf of residents of Cambrian 36.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: I hope we're still welcome to come by and visit. I agree this is a good resolution, right thing to do it took a long time to do. Formally respectful manner they had their voices heard. And sometimes, the ends result of that is you don't get what you want, sometimes you do. I think it worked because other people were listening and reacted and I think the first person to mention there is our former colleague Judy Chirco who as mentioned you know initially she wasn't objecting to it. I think it was -- she's someone of immense fairness and there was an equity issue that she saw and yet she's also someone that listens. And she listened and she was

willing to have her minds changed. And I think that's a great quality of a leader. And I don't think she would have gotten there ultimately, at the end without knowing that her successor Councilmember Rocha was someone that was going to be able to responsibly take on the leadership role with the neighbors and with the community to make sure that every party was heard including the City of San José. So I think that the leadership exhibited from Vice Mayor Chirco and Councilmember Rocha in the way that it deposit about I think you should feel comfortable with Councilmember Constant being on Lafco, I think with him there you should feel safe that things will go as expected, and that you will have the end result you desire. Definitely want to thank the staff, I know the staff both here at the city, certainly the city of Campbell as well but I know that Joe and his staff and city attorney's office and so many individuals put a tremendous A time into this and I certainly appreciate that. And as mentioned by Councilmember Constant the mayor, councilmember Evan Lowe who was mayor at the time, I think without him kind of extending to-extending to our city the willingness and desire to have that open up that conversation, it wouldn't have allowed the staffs to get together and get that work done. So I think with Evan and with Judy Chirco, Evan Lowe and everyone getting on the same page, it allowed us to get to where we are today which I think is the right result for everyone. Thank you.

>> Mayor Reed: We've done dozens an annexations now. Are we done? Jeff we've sent the staff home. As --

>> Joe Horwedel: We've sent the staff home odd ones that we may come back and look at but for the program, we're putting a flag in saying we're done.

>> Mayor Reed: Good, because it's been very difficult on everybody and the only reason we're doing it is because we had an agreement with the county to do it. It wasn't that we wanted to disrupt people's lives. I know people are happy just the way they are, U we have had to get through this process and I'm really happy to get to the end of this. I think this is a good resolution. I support the recommendation by Councilmember Rocha. To work out for both Campbell and San José. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you mayor, thanks for bringing that up as far as you know there is -- there are no more annexations by the county agreed by the court that we had to take in X amount the portfolio of the

pockets we still have a variety of pockets in the city that eventually will go away, I can't see them lasting because it's pretty clear offering county pockets in cities is duplicity in government, a little inefficient. I realize appreciate the tone that changed through this process, at the beginning it was very let's say harsh. I thought it was a little hard on San José. I appreciate the tone that came down to just the personal ability that this is my neighborhood and this is what I would like, versus I don't like you. And so I appreciate that change of tone that occurred in the conversation. But I've sat here through numerous years on this council, not numerous but a few. But numerous annexations. And really the legal guidance we were given every time up until Cambrian 36 was, maybe it's because the council didn't peel back the onion enough, was that we agree to this, we need to do it. And so I voted to annex every pocket before me because it was a portfolio of product, I had some pockets that had great infrastructure, low crime, brought revenue to the city, while I had other possibilities that frankly had terrible infrastructure, and high crime. And if I had an option, in hindsight, would I have clearly voted against -- I would have clearly voted against certain annexations even in my own districts. I appreciate that Campbell is going to pay us what we would have gained. I won't be supporting the motion because I wasn't necessarily against the agreement reached but my whole thing is to strive for consistency and I think that's where I'm at. The other thing, the reason is because this sliver of central park and these other three, four streets that have been being serviced by San José for decades I haven't heard from any much those residents to fell me that they wanted to leave. Anecdotally, I remember the TV reporter, I think you which are sitting over there, you were interviewing the gentleman in San José who was petting his cat and he said I'm quite happy here. So in the end I know there's a lot of the discussion from the pocket and I respect the pocket because if we start that frankly I got half of my district that would love to have Willow Glen be its own city again and so I think we kind of go into that, it might be an extreme but it's certainly something there. But the other thing is as we go to the future and I have other pockets to annex that border western cities I've sort of opened the door to say hey, I don't want to go your way but yet I have all these other pockets that I have to take which are going to be a further financial burden to the city. So I think in balance we're going to get where we're going to get where we're going to get, happy that Mike Chrisman might be happy you've worked really happy with this. But with that said I will just be the no vote with the anticipation that I don't want to open the door to other things in the future. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Ordinarily I look forward to annexations with all the joy of a road canal but I'm sort of chagrined that we've finally reached the successful happy joyful conclusion of an annexation now we're not doing anymore. So Joe I just wanted to say thank you, for really all the extraordinary work that you and your team have done to get us through to this point. I know this wasn't easy. Kudos certainly to my colleague Don for coming in to office brand-new and being handed a baked potato wrapped in foil. And having to somehow juggle that hot potato. You've done well and I think it's a great resolution and I just want to thank all the residents of Camden flick. Summer know that we have active residents throughout advocating in front of the Campbell city council from now on. That's of course no slight. I mean that with great respect and certainly everybody walks away happy. So thank you.

>> Mayor Reed: That concludes the discussion, I believe. We have a motion, all in favor? Opposed? One opposed, Councilmember Oliverio. That concludes that item, that's approved, good luck with Lafco. [applause]

>> Mayor Reed: Next item last item would be the open forum. Anybody wish to speak? Come on down. Mr. Colbert. Mitchell Colbert. I see nobody moving in this direction. Last call for Mitchell Colbert. Okay some not here, we're done. Thank you very much, that concludes our business, we are -- do you have a card, Mr. Wall?

>> David Wall: Yes I do.

>> Mayor Reed: Okay, you don't need a car as long as you're here. Or you can --

>> David Wall: This involves the office of the auditor. With the audit pending for the environmental services department I would like you to ensure that the reclaimed water projects has its own separate and distinct audit. Now it's been done I think about ten years ago. But there's been a lot of overstating about how profitable this project will become. This dovetails into the next audit that should be separate and distinct, is the advanced water treatment facility. With special reference to the agreement with the Water District. In so far -- if there's an interruption in flow how much costs to the ratepayers of San José to provide potable water to the district. Now,

another part of this advance water treatment that should be milkily discussed is first of all the cost of the water. But how are you going to deal with the brine and metering it into the plant process? Now, the plant is already stressed as it is. But this metering in the brine might cause very significant problems with the NPDS permit. Now I know lot of people have talked about it and studied it and beat it over the head but now is the time that you have your environmental services department audit, make certain that you incorporate individual audits for the reclaimed water project, specifically the advanced water treatment and the agreement with the Santa Clara Valley Water District. Thank you.

>> Mayor Reed: That concludes the public testimony, open forum. Concludes our business. We're adjourned. Don't forget, it's National Night Out. Everybody go out and meet your neighbors.