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>> Mayor Reed: Good morning. Going to call the City Council meeting to order for the start of the session, labor update, then we'll go into closed session. Anything from our staff on labor update, Gina Donnelly?

>> Gina Donnelly: Good morning, Gina Donnelly, deputy director, employee relations. There is no report this morning.

>> Mayor Reed: Okay, we'll go into closed session. We'll be back at 1:30 for the rest of the agenda.

>> Mayor Reed: (gavel strike) Good afternoon. I'd like to call the San José city council meeting to order for March 13th, 2012. We'll start with an invocation. Councilmember Liccardo will introduce our invocator.

>> Councilmember Liccardo: Thank you, mayor. The millions of our viewers watching at home will remember that last year, we commended Eddie Gale for his many contributions to the world of music and to the community. He has returned the favor, too, by coming here today to join us in the invocation. It's just in time, just in advance of jazz appreciation month which is coming up in a couple of weeks. Eddie of course is well-known as San José's ambassador to jazz. He was so named in 1974 by then mayor no, ma'am Mineta. He has been critically acclaimed through the years as a winner of the Jefferson award and many other national honors and is remarkable not just for his commitment to music but his commitment to the community, holding fund raisers for health care and other artists, Horace Mann and their horrific cuts to funding. We're pleased to have jazzman Eddie Gale. Thank you Eddie. [applause]

>> Good afternoon. And inner peace to you. My statements are short, and my music statement will follow. One of the things I like very much about San José is this, and I want you to join me in these thoughts which is giving thanks. There's more good than not in our city. Past, present and future, generations of government, business, and community, have worked and dedicated to make this great city a very United city. And I foresee that being the future, continuously with the leadership of our current administration and our mayor, continuing to make this a greater United San José. I believe that very much that is the goal past, present and the people who have worked and ran this city and I think it is the goal now and the goal in the future. And one day, I pray to see a great, great, United San José. With all the diversities, that this city has, and one day host, San José host a world cultural arts festival. [Trumpet playing]

>> Thank you, and inner peace. [applause]

>> Mayor Reed: Thank you, Mr. Ambassador. Please stand for the pledge of allegiance. [pledge of allegiance]

>> Mayor Reed: First item of business are the orders of the day. I need to continue item 4.1, the ordinance regarding office and financial services in downtown area to March 20th. Any other changes to the printed agenda?

>> Councilmember Pyle: Move for approval.

>> Mayor Reed: Motion is to approve orders of the day. All in favor, opposed, none opposed, the orders are approved. Closed session report City Attorney.

>> City Attorney Doyle: Mayor there's no report from closed session.

>> Mayor Reed: Take up the ceremonial items, like to invite Councilmember Pyle and the members of the American cancer society and Almaden relay for life to join me at the podium. Today we're recognizing Tuesday March 13th, that would be today, as show us your hope day in the City of San José. Councilmember Pyle has the details.

>> Councilmember Pyle: Thank you, mayor. Show us your hope today is what the proclamation is all about today. The American cancer society's relay for life has been bringing hope to communities nationwide for 25 years. To eliminate cancer as a major health problem, by preventing cancer, saving lives and diminishing suffering from cancer through research, education, advocacy and service. The American cancer society has more than 250,000 California volunteers spending millions of hours per day each year to help deliver programs and services. Raise awareness and raise dollars. And to provide hope in local communities throughout the state. Last year, the City of San José, as well as many other cities across America, painted their town purple to show the support for all those who have experienced this disease and the passion for finding a cure. This year, American cancer society wants everyone to show us your hope and passion, to end this disease by, once again, wearing the color purple. Now, therefore, we do hereby proclaim March 13th, 2012, as show us your hope day, and encourage the San José community to celebrate the lives of those who have battled cancer. To remember loved ones who lost and to fight back against the disease by painting the town purple once again. With us today we

have wonderful people. Our speaker is Jennifer Caselli, who is the even chair for Almaden run for life. And with her from Bridge Bank is Rich Brichard, Lee Shodas, who have generously helped the cause by helping them through monetary donations, so we want to thank all of them. Mayor if you would.

>> My name is Jennifer Caselli and I have the honor of being the 2012 event chair for the Almaden relay for life. Leland high school 10:00 on Saturday running until 10:00 a.m. on Sunday. Thank you Mayor Reed and all councilmembers and a special thank you for Councilmember Nancy Pyle. For all your support you've provided us these past six years. You've always opened our ceremonies for us, and we very much appreciate that. I'd like to recognize our representatives from bridge bank. They are our presenting sponsors for relay for life for Almaden by providing a \$10,000 initial donation and also committed to raising an additional \$10,000 by providing four teams participating in their own event and their own fundraising. Relay for life is a 24 hour community fundraising event where we celebrate each other and fight back against cancer. Cancer doesn't sleep, neither will we. Each of us joins relay for our own reasons. Some are cancer survivors, some are caregivers, some have family or friends touched by this terrible disease, and some unfortunately have lost very close family members, as myself. I relay because my mom was diagnosed in 2006 with stage 4 colon cancer. My daughter Kaitlin, who was ten at the time, decided for her 11th birthday party she wanted to help her grandmother by creating a team raising money to fight against cancer. That was the first year I participated in relay. My mom fought for four years and in November, 2010, she couldn't fight anymore. Cancer shows no preference. It strikes children, adults, family, co-workers and friends. We all participate in relay for one reason and that is our path to the future of hope. Some day we won't have to worry about cancer. Some day we may live cancer free where we may never hear those dreaded words, you have cancer. We don't know how long this will take but we can see the American cancer society, the advances they are making. We see the lives that are being saved and the families that are being supported. We join together in saying that there is no finish line until there is a cure. The ones we remember will always light our path and guide us in our fight. I sincerely appreciate the opportunity to speak on behalf of Almaden relay and in recognizing the importance in creating hope in our fight against cancer. I'd like to present to Councilmember Pyle your own purple piggy bank so your office is painted purple. My daughter actually put district 10 on there. Thank you very much.

>> Councilmember Pyle: Thank you very much. [applause]

>> Councilmember Pyle: Thank you so much.

>> Mayor Reed: Violet is a form of purple, right? Make sure I properly coated my tie today. Next I'd like to invite the members of the pars equity center to join Councilmember Pyle and me down, come on down, we'll have room for everybody. We're going to recognize March 19th as Iranian new year in the City of San José. Councilmember Pyle has the details and Councilmember Kalra will join us.

>> Councilmember Pyle: We are fortunate to have so many are the parse group joining us today. I'm especially thrilled because this is -- we hear stories of Iran and we don't always hear the positive ones. This is a very positive story of Iran and I would like to mention a few words. This -- our city, the City of San José's greatest strength is its diversity of residents who come from around the world and bring with them their celebrations of traditions and festivities that further promote the appreciation and understanding of various cultures. The City of San José also has a large and vibrant population that celebrates the Iranian new year also known as Nuzuz, which will be celebrated this year on March 19, 2012, by people from Iran and many regions including west Asia, Central Asia, south Asia and southwestern China. The Iranian new year marks the first day of spring and the beginning of the Iranian year which is celebrated on the day of the vernal equinox with a host of activities and festivities that will provide an opportunity for all in San José to experience the richness of Persian culture. I'm sure they welcome all of you to this event head at Vasona park. Creating a more just and compassionate community in which Iranian of all cultures and beliefs can participate. So Mayor Reed, would you be -- would you be willing to give the award, our speaker today is Beta Darabara, who is founder and executive director of the parse equity center. And here she is. [applause]

>> On behalf of the pars equality center and the Iranian American community in the Bay Area, I would like to thank councilmember Nancy Pyle, Mayor Reed, and the San Jose City Council for recognizing the Iranian New Year. I'm honored and delighted to be here and I accept the recognition, and for all the Iranians in the United States there is nothing more valuable than recognition, appreciation and respect for our community, our culture

and our people. Iranian new year which is known as Noruz, meaning a new day, has been celebrated for more than 5,000 years. Noruz welcomes the advent of spring, a season that heralds new birth and beginning in nature and it begins on the first day of spring. Iranians celebrate Noruz for 13 days. The tradition starts by half scene or the table of seven Ss. It includes seven specific items starting with the letter S in the Persian alphabet. The item symbolically correspond to seven creation and holy immortals protecting them. The seven elements of life, namely fire, earth, water, air, plants, animals and humans are represented. These items are mirrors symbolizing sky, apples symbolizing earth, candles symbolizing fire, Galabros water symbolizing water. Sabda, wheat, symbolizing plants, goldfish celebrating animals and painted eggs symbolizing humans and fertility. This year we are not only celebrating Persian new year but we also celebrate the start of new life for refugees from Iran, families who after long suffering and wait, have finally arrived in our community. Pars has been established in 2010 and I am proud to say that we are the first community based nonprofit organization in the nation that provides legal and social services to the Iranian American community. Pars provides legal services in Iran sanction and in social services we help newly arrived refugees and other low income Iranian families in the Bay Area. According to data provided by the state and county sources, since 2006, more than 16,000 Iranian refugees have been admitted to California. Santa Clara County, is one of the top three receiving counties in California. And in 2010-11 more than 52% of the refugees moving in the county were Iranian. Mesta Resow Adoue, our social services director, has been with par since January of this year and has helped us in building this department. As you can see, noruz is not only a new day for us, but it's also a new beginning for many of the Iranians in the Bay Area. At the end, I would like to thank the city council, City of San José, Mayor Reed and city member Pyle again for evaluating and recognizing Iranians and their noruz tradition. I have a dream that one day noruz can be registered and recognized in the American calendar as Iranian new year just like Chinese new year and other cultural celebrations. Thank you. [applause]

>> Mayor Reed: I'd like to invite Councilmember Oliverio and Matthew Dutra to join me at the podium. Going to recognize Mr. Dutra for some great work in our community and Councilmember Oliverio has the details.

>> Councilmember Oliverio: Thank you, Mayor Reed, councilmembers, I offer you a long time San José resident, Matt Dutra, a resident of district 6, good father, active in so many things, ICFL, he is a retired county

sheriff, and one day he was leaving his home and he saw smoke. He essentially acted on it called it in but decided to go a little bit further and jumped a fence, climbed up to a second story and knocked until the people that were inside were able to get out. I don't want to take any the fanfare, but if you want to add any color Matt, you would be free, but we really appreciate your heroism and being a neighborhood hero, and you're here to be honored by our city of San Jose city council and mayor to present you a commendation for your heroic deeds. [applause] And now is your opportunity to say something in the limelight for all of San José. You can say you love your wife.

>> Mayor Reed: Good brownie points.

>> Well I do love my wife, okay. After being a deputy sheriff for 32 years, you just don't shut it off one day. I just did what I was trained to do and did it. Thank you. [applause]

>> Mayor Reed: Next up is the consent calendar, are there any requests to speak on the consent calendar? Any items to be pulled for discussion? Councilmember Liccardo.

>> Councilmember Liccardo: 2.8.

>> Mayor Reed: 2.8. Councilmember Constant, 2.6.

>> Councilmember Constant: Yes, sir. Motion is to approve the balance of the consent calendar. All in favor, opposed, none opposed, that's approved. Item 2.6 is the standing report from the liaison to the retirement boards that would be Councilmember Constant. We had a referral from the council to Rules Committee to talk about what information gets passed on pursuant to this report. And Rules Committee decided that we should try to get our staff to give us minutes of previous meetings that might be relevant to the report. And to make sure that we got links to presentations that had been made to the retirement boards that would be relevant to the report-out. So we're in the process of setting that out. So when you see the agenda item of 2.6, once we get those established there will be links for councilmembers to be able to quickly find whatever it is that the boards have done since the

last report. So that's the direction from the rules committee. We're in the process of doing that. And Councilmember Constant will continue to provide oral report. But the staff will try to give everybody a heads up ahead of time as to what the boards might have done. And then if that of course isn't sufficient, we'll from time to time have more extensive discussions, such as the study session we've scheduled for March 29th. With that, Councilmember Constant.

>> Councilmember Constant: Thank you, Mayor, and I know that staff hasn't had an opportunity to really implement what we discussed at rules, so my staff should have sent out right before the meeting links to away I'm going to cover now so you'll have it to refer to later. So last week, on the cent of March, the Police and Fire retirement board had a retreat. It was a lengthy retreat. Almost ten hours of nothing but discussions about our pension system, on the Police and Fire side. So I'm going to try and be as brief as I can. And as I said all of the items but in particular, I gave direct links to the two items that I'll cover in the most detail. First off, the retirement board members discussed with not only our City Attorney and their existing conflicts attorney but also the new attorney that they've selected who has not yet officially started working with them the issues around fiduciary liability for individual board members. As you know that has been a rather hot topic between the two boards and one board member actually resigned in the Police and Fire retirement board due to his concerns with those issues. Next was a quite lengthy presentation and discussion regarding the retirement board's role in ongoing pension reform issues and implications, when and if the voters pass the ballot measure that will be on the June 5th ballot. After giving a lengthy discussion which again I sent you a linker to the exact, the full PowerPoint, I want you to know that the recommendation that was made to the full board and that the board ultimately passed I'm just going to read its to you. The recommendation was we, and even time I say we I mean the Police and Fire retirement board, we should analyze any proposed changes to benefits ahead of the ballot measure, we should implement the voters' will unless we hear otherwise from the courts and we should work with all parties on an agreed to and efficient implementation time table. Can we legally delay starting implementation a few months if we are aggressively seeking judicial clarification, they want further research in that area. That we should expend system resources to affirmatively and immediately seek judicial clarification on the administration of the pension system so if there's any concerns over how they will actually administer the system, they will seek judicial guidance, if they feel that they need to. Stating clearly that we should not intervene in or initiate litigation unless

necessary to clarify our fiduciary duties, with the intent that they won't stray anywhere from there. And that they should tell all of the actors, in other words, the stakeholders now that this will be the board's policy and that the board will immediately start working on a short written version of this policy and will start to analyze the impact of the June ballot measure on the administration aspects of the system. So once they have that I will make sure that whatever they give to the board, I will make sure to immediately pass it on to each of you so that you have that, as well. They had considerable discussion about their ongoing issues of staffing, particularly, the fact that they're down approximately 25% of their positions are vacant, and in particular concern is in the investment division where it is about 50% unfilled. They had a discussion at length about the pros and cons of using an outsourced chief investment officer model. They've been interviewing different companies that provide that service but they have not reached a decision there. They are concerned that they vice president received a salary survey that they've -- haven't received a salary survey that they've discussed with the city, and I'll have discussions offline with the City Manager about that. The next item they discussed was the Cortex governing report. You may remember that it was Cortex that did the governance report that was the basis for our change in retirement board makeup. The boards, both boards have together formed an ad hoc committee with representatives from each board that has been meeting with Cortex to take the next step towards governance reform, instituting and institutionalizing policies as it relates to their duties as a board so that there is more of a framework for their operations versus just board discretion as they go forward. The gist of the conversation is, the board really feels that they need a greater level of independence from the city administration, and the city council, they've asked Cortex to look further into that. And I'm sure that's a discussion that they will continue to have, and I'll keep you advised as that moves forward. Next was, they had a lengthy discussion on actuarial options to minimize the volatility of contributions. And that went on for quite some time. Realizing that the contribution rate is really what has been impacting both the employees and the city, in the ongoing budget difficulties. Cheiron, their actuary, provided an overview of pension funding in general and the status of our plan. They gave kind of more high overview information, like a fact that 67% of the plan membership is retirees, beneficiaries and retired vested members and versus one-third active employees, which is what we have discussed as well. They did have a discussion about why we have a problem. And why has this downturn in the economy been so different from previous downturns? And again, this is a lengthy PowerPoint so you've got to link to the PowerPoint when you have a chance to look over it. This particular item is on page 9 if this helps. What makes this downturn so

different? We have the highest level of assets ever, we have the highest allocation to risky assets ever. We have the highest level of retiree liability ever. We have the most aggressive actuarial estimates ever, we have the highest benefits ever and we have more competition for the pension contribution. In other words, the General Fund, we have much more competition amongst the dollars in our General Fund. All of these above bullet points combined to drastically leverage the impacts of the 2008 market downturn. So you know I've discussed the leverage we have in the plan related to contribution rates. This leverage is a little different that they're just talking about you have all of these things that have magnified the issues that we have seen in our retirement system. One of the points that they brought out that I think illustrated it very well was on page 11 of their report. A comment that, as interest rates declined, pension plans have taken on more investment risk to maintain their assumed rate of return. So for example, in 1974, when the pension plan had a 5.75% assumed rate of return, the yield on ten-year treasuries was 7.65%. So the difference was a negative 1.9%. If you look when we moved into 2005, the assumed rate of return was 8%. And at that time, the yield on a ten-year treasury had dropped to 4.06%, so that spread between the ten-year treasury and the assumed rate of return had grown to 3.94%. As you look with the current actions of the board where they are 7.5% assumed rate of return, the ten year treasury note is down to 3.22% so that spread increases again now to 4.28%. So what that does is, in order to maintain your returns, you have to take on more and more risk. And that's the risk I was mentioning in the item earlier. They had a slide that's on page 12 that really discusses the lessons we've learned through this process. And I think the first one is something that will be no surprise to anyone and that's bay line actuarial projections are never right. But others are surplus spending on benefit enhancements and contribution holidays are not sound policies, measuring success through peer investment ranking is a recipe for disaster. In other words, just looking what the other pension form plans are doing is not really the best way to guide your decisions. Increasing discount rates during the 1980s and 1990s increased the level of risk in with defined benefit plans overall and of course, in our case, and that negative cash flows can have a major impact on investment performance and contribution volatility. The traditional investment actuarial models are broken. Too few understood how much risk they absorbed during the process. So the actuaries are really advocating for new frameworks for managing pension plans. Basically saying that the traditional investment and actuarial models are broken. And that one of the main things that we have to do, and there's a significant chart on page 16 that we'll have a lot of issues, but the highlighted issue that they spoke of, in depth, is that it's contribution volatility that matters, not investment

volatility. And I think we've seen that all too clearly in the last several years that that contribution rate volatility is significantly impacting our ability to be able to fund other things in our city. So they basically said it comes down to as the actuary said, it's like a dog chasing his tail. You have an expected rate of return which leads to your discount rate which leads to your asset allocation which is based back on your expected rate of return and you have this circle and it keeps spinning and everything is contingent on the thing that it's contingent on and vice versa. So in other words, we have a lot of work to do to ensure that we have the right policies and practice in places we move forward so that we cannot only manage our risk but meet our obligations both to our pension plans, their beneficiaries and our General Fund. I know that was long but keep in mind it was almost a ten-hour meeting. And there's a lot of good information. The meeting was not video recorded because it was a retreat. However it was audio-recorded so that is available if anyone wants to review that as well. Thank you.

>> Mayor Reed: Thank you. I think that was a 1% of the total summarized in a relative brief comment.

>> Councilmember Constant: So I would say that is a very good return on your investment.

>> Mayor Reed: I think so. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, Pete, for that summary. I was intrigued that Cheiron was looking at the ten year treasuries and how it has really flipped. I was frankly surprised the treasuries were so high in the 1970s. Is Cheiron suggesting we should be going to a risk free rate of return?

>> Councilmember Constant: They stopped short of saying that but they were using it really to illustrate that in order for pension funds to work efficiently they've got to beat those returns. And you just have that gap. And that gap has become bigger and bigger. And in order to achieve that, you just have to take risk. They just want to continually have discussion with the trustees about the risk. Because as you've heard me say before and we've heard in places, there's an increased emphasis on derisking the plan. But when you derisk the plan there's so many other things that move including the contribution rates and the unfunded liability. But they want to make sure that that is a continual topic of discussion.

>> Councilmember Liccardo: I can certainly appreciate that we've got -- we can anticipate wide variability in those contribution rates as a result of all those factors. Did Cheiron articulate any kind of standard deviation or range?

>> Councilmember Constant: You know, they did a very interesting live simulation that I don't know how I could summarize other than it would have been great to have on video. And I'm hoping when we have our study session we can have something similar. But they had a stochastic analysis and projection based on different variables and adjusting the assumed rate of return and risk and standard deviation. You can see when the contribution volatility scrunches and when it elongates. And explaining it beyond that is very difficult without the visuals. But that is something we can hopefully have in the context of our retirement study session.

>> Councilmember Liccardo: I hope that NBC Bay Area attended the retreat.

>> Councilmember Constant: I don't think they were.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, Pete. It was a really good report. In terms of the asset allocation, when I was on that board, they had made some changes and recommended changes on that. Have we seen a change in asset allocation that would reduce volatility or are we still waiting for changes in personnel to accomplish that?

>> Councilmember Constant: So let's --

>> Councilmember Herrera: It was simply weighted in stocks and equities and they had made some you know decisions around moving things around and changing that asset allocation and last I'd heard they hadn't completed that.

>> Councilmember Constant: There are actually two answers to that question. The first is, that you are correct in your comments, that the previous asset allocation was not quickly and fully implemented because of constraints on resources and quite frankly the amount of time that it takes to reallocate some of the investment items. However, both plans have been discussing and arriving the asset allocation and are making changes to that again. To be more in line with the lowered assumed rate of return and the risk discussions that they're having. Not only with their actuary, but with their investment consultants as well. So we'll see another shift. I believe Federated has finalized theirs at least at the committee level and Police and Fire has not. So those are the things we will be seeing coming into play over the next several months.

>> Councilmember Herrera: The downloads will take a lot of time on the things you sent us. I think it will take ten hours to get all the information.

>> Councilmember Constant: I have the hard copies if you want to drop by and look at them.

>> Mayor Reed: I think that's it on the report. We'll move to item 2.8 that was Councilmember Liccardo wanted to talk about the housing general plan issue.

>> Councilmember Liccardo: Thank you, mayor. I was hoping I could ask anyone from either housing or planning just about the consequences of failing to meet the RENA numbers. I think -- I'm assuming all 101 jurisdictions in the Bay Area are going to fail to right the RENA numbers. We have 8700 units essentially permitted, and we have got to reach an almost 35,000 goal and I can't imagine we're going to do that. Short of --

>> Councilmember Herrera: Miracle?

>> Councilmember Liccardo: -- admonition from the state, what really is the consequence? Are there any?

>> Thank you, councilmember, Susan Walton, principal planner, Planning, Building, and Code Enforcement. We, as are many of the jurisdictions, are struggling to meet the current RENA goals and we are participating for the

next are projections and the next cycle of the RENA housing allotments for the area through the sustainable community strategy effort and Laurel Prevetti our assistant director is participating in the RENA committee, particularly because we felt a little bit that we had had an overambitious goal for this current period that we're in. So I guess to say it's not actually a requirement of a charter city that we prepare this plan either, this annual update report but that we want to stay eligible for any and all moneys that might come to us to provide any of the low-income housing for our city.

>> Councilmember Liccardo: Okay, but my understanding is we don't actually have to build the units, we have to plan for them, that's what RENA requires?

>> That's what the RENA rules require, right. As it comes into implementation projects and how well you might be doing, might relate to how eligible or how likely you are to get additional funding sources.

>> Councilmember Liccardo: So it's mostly about state grant money? Got it.

>> Right, so there may be somebody in the housing staff, if you'd like to hear about --

>> Councilmember Liccardo: No, that's -- I think I get the picture. I appreciate you filling me in. I just get the sense there's no city in the Bay Area that's going to reach that so --

>> I'm sure that's true.

>> Councilmember Liccardo: I'm guessing we built more than anybody else has, thank you Susan.

>> 94 general plan, our new general plan contains more than will get built in that 30-year time period but we want to set a goal and a plan to get there.

>> Councilmember Liccardo: Motion to approve.

>> Mayor Reed: Motion is to proven 2.8, all in favor, opposed, none opposed, that is approved. Concluded the consent calendar. Item 3.1, report of the City Manager.

>> City Manager Figone: Thank you, Mr. Mayor. You have one report. Yesterday, as you know, the city celebrated with many of our partners, a very significant milestone, and that is the signing of the full funding agreement for bringing BART to San José. And since I couldn't join in the celebration, I wanted to just share a few thoughts about this occasion being a good reminder about a few things. First of all, that major public transportation and infrastructure projects take a long, long time. We all know that bringing BART to San José has been a vision for -- of our community for decades. And these types of projects can take entire careers to conceive, plan, design, fund and finally build. Second point is that these types of big projects take a very deep commitment, complex partnerships and sustained leadership, over extended periods of time. And I'm sure yesterday, you heard many acknowledgments about the countless people who have kept BART on track, no pun intended. And I'm sure it was clear that these individuals have come from all realms, government, business and community alike. And then finally, more here at home and what I'm particularly interested in is that these types of projects can't happen without the significant dedication and skill of outstanding professional staff. And I'll speak about our great professional staff. From our city who have been involved, again, in this project for many, many years. Many, many have worked behind the scenes for years and usually without the full recognition that they deserve. And I'm sure that yesterday they were able to share the spotlight that they've deserved. So I just wanted to take a moment to thank them. I see Hans Larsen in the audience. I know Hans, speaking about careers, has devoted his career to this wonderful project. I want to thank them and congratulate them all for this remarkable milestone. I look forward to the groundbreaking, I think it is next month and I can assure you we have a very robust work plan. Implementation now is key. And I recently met with staff to go over that work plan. We are not a point on this project but certainly we are support as it is happening in our community and I can certainly commit to you that we will do everything we can to successfully help others get this project over the goal line. Thank you very much.

>> Mayor Reed: Our next item is 3.3, the fiscal 2012-13 mayor's March budget message. This is to review and discuss the message. No action will be taken today. That is on the agenda for next week. But we of course will take public testimony as past of this and hopefully I will be able to answer any questions councilmembers have or be able to answer them next week when we have the hearing. Would I just like to open with a few comments about the budget message, of course it's been posted, it's available for any to read but some highlights of it. First I want to acknowledge that this has been a very difficult year for the people who deliver the services to the people of San José, our workforce. There's no doubt that taking a 10% pay cut is not something anybody wants to do but yet everybody in our workforce did take a pay cut. And that and many other things made it a very difficult year but yet our people from our City Manager, at the top all the way down to the newest employees, have based very professionally, done their jobs, delivered services despite very difficult circumstances for many of them. This of course is made even more difficult by the fact that it's the 10th year in a row in which we've had to cut services and do a lot of things in order to balance the budget. But we can take some comfort from the fact that our fiscal reform plan is working. And that we are facing a year in front of us where we have a modest surplus, in some regards. It's only a 1% cushion. But a 1% cushion is so much better than a 10% negative, which we were facing last year. And this fiscal year that we're in we had to close a gap that was more than \$100 million. And as a combination of the 10% pay cuts and reductions in force and layoffs reduced our payroll by 24%. Well, it's certainly possible to generate savings by cutting your workforce in pay and in head count. We just don't want to do that again. It was necessary, but certainly not desirable. As we look to the future, hopefully the economy will stay on a positive note. We're seeing some improvements in revenues, not across the board. Modest improvements but up is so much better than down. And so I'm looking forward to this budget cycle, a little more than I have past budget cycles where we've done nothing but cut services. So the \$10 million surplus broadly defined is really good news but it really is a reflection of a one-year reprieve before retirement costs continue to grow again, as been outlined in the manager's forecast and in repeated in the budget message, retirement costs for this next fiscal year are flat. And that's of course good news compared to previous years where they went up dramatically. But they are going to continue to start going up again in 13-14 and the retirement board actuaries are projecting they're going to go up for another dozen years. So there's work yet to be done. We'll deal with a lot of that with the pension reform ballot measure that council has approved. But even with that work done, we know that the surplus is tenuous, because we haven't begun to fully pay for the retiree health care. And our unfunded

liabilities for retiree health care went up by \$247 million in this last year. Bringing us to a total of unfunded liabilities just for health care of \$1.9 billion. So having a modest surplus certainly doesn't solve all of those problems, and which is why we have to continue to implement the fiscal reform plan. We also know that retirement costs could go higher than projected if the retirement boards move to change their assumptions about assumed rates of return. Every quarter-point change downward increases our retirement cost by about \$20 million per year. We know that Cal PERS actuaries have recommended Cal PERS go to 7.25 assumed rate of return. They had a committee that voted today to go to 7.5% which is where our plans already are. But certainly the direction seems to be trending downward on those assumed rates of return which will cause our costs to go up. In addition it's hard to be excited about a \$10 million surplus, compared to the size of the problem when we're underfunding our streets and infrastructure maintenance by over \$100 million a year. And then, of course we want to restore services to our people. And we need a minimum of \$33 million to begin to restore the most important of the services that we cut just in this year. So our work is ahead of us. But it is so much better to be looking at a modest surplus rather than a gigantic cut in benefits. Our staff has worked very hard to control costs, to squeeze out money whenever and wherever they can. But I think it's important for us to look at this as just not a one-year deal. We really have to look at the following year. So the premise of the budget message as we take advantage of this modest surplus and some of the future deficit reserves that we built up, put that money together, sufficient amounts to avoid service cuts this year and next year. So let's not spend all the money this year knowing that there is a gap that we have to fill in the following year. We have the resources to, based on what we know now, we could cover that gap. But of course, we also know that there are many things that we aren't paying for. But that's the basic strategy is to try to bridge this time period with the money that we have, waiting for the fiscal reforms to be implemented, the pension ballot measure to be considered by the voters, and then be able to restore services. So there are things that we still have to do. Besides just the usual budget work. We will be considering a lower cost medical plan that will reduce health care cost for our employees, and for the city. We're continuing to try to end sick leave payouts. And overtime for management. Which will save us millions of dollars. So that we can begin to restore services. But at least I think we can see that we have a plan, we have a way to eliminate this long term structural budget deficit that has plagued us for a decade, costing us 2,000 jobs out of our workforce over ten years and cuts to many, many services across the city. So I'm pleased to be talking about a budget message that doesn't call for cuts everywhere you look. That's a big improvement over last year

when we were cutting anything and everything, practically. So I hope that the budget process will be a little less difficult this year. But of course, there's never enough money to go around and the council will have to make a lot of allocation decisions as we always do based on the priorities and the priorities of the community, which we will spend a lot of time determining as we go through the process. So next week, we will deal with the budget message, which frames it up for the City Manager, who will then put together a proposed balanced budget that will be delivered to us around May 1st. And in between those dates we'll have at least ten community meetings, one in each council district so that we encourage everybody who is here today to come participate in those meetings where we will talk about priorities. We will have many hearings, study sessions in May and ultimately have to make the final decision in June, as we get ready for the next fiscal year. So the process from here on out is similar to what we've done in the past years. It just should be a little bit easier this year. Keeping my fingers crossed it will be easier than it has been in past years because it has been very difficult for everybody. Those in the audience, those up on the dais and certainly for our workforce. So with that, I want to take some public testimony before we get into the council discussion. That way if there are some questions that come up we can make sure that we get them answered during the council discussion. So we have folks who want to speak. Come on down. I'm going to call your name so you're close to the microphone. We've got some seats in the front row. Judy Chirco, Greg Gooth, Greg Hanson. And to be more precise, former Vice Mayor Judy Chirco is here.

>> Thank you all so much. I just had to come and speak today. I know how difficult and painful the decisions have been. I got to participate in them for my entire term on city council. But because of the mayor's budget message that went out I felt I wanted to come and say thank you. Because of your support of the children's health insurance more children will have medical, dental, vision coverage. Fewer children will have to go to the emergency room for their asthma. Fewer children will be missing three or more days of school a month, due to illness. As many of you have heard me say, a community is never so tall as when it stoops to help a child. So I would like to thank all of you for standing tall and stooping to help a child. And know that we are grateful for the very, very tough decisions and painful actions that you have to take, and the children of San José. Thank you.

>> Mayor Reed: Greg Gooth, Barbara Hanson. And then Anna Guarardo.

>> Hi, I'd like to talk about the libraries and community centers. I hope you guys will open the Bascom library soon because I'm in between that one and the Hillsdale branch and the reason for Bascom is because of the gym. I use the Camden gym a lot. I spend the \$150 for the citywide purpose, citywide gyms. I use Camden gym twice a day, once in the morning once in the eve and once a week I go to Seven Trees gym and another day of the week I go to Almaden gym by I'm constantly using them, I know a lot of the people in my community are using them too. Since I started using the gym in January '11 I weighed 444 pounds. I now weigh 296 pounds. [applause]

>> So I mean it's a point where in my neighborhood everyone knows me, because I walk so much. And I use the gym a lot. So more hours for the gyms, would be beneficial. For everyone in our area. Thank you.

>> Mayor Reed: Barbara Hanson, Anna Gardato and Susan Price.

>> Hello I'm Barbara Hanson, with pact, people acting in community together. We are a grass roots community organization with 28 synagogues mosques and organizations, we are 50,000 strong also part of a collaboration that proudly launched the children's health initiative ten years ago. Investing in children is not a luxury, nor a choice. It's a necessity. The issue is not are we going to pay, it's are we going to pay now, up front or are we going to pay a whole lot more later on? The inability to get health care because people lack insurance kills, less traumatically and less visibly than terrorism but the result is the same. These are the words spoken by the relentless advocate for children, Marion Wright Adelman. I'm proud to say that I live in a city where these are the words that echo what my city San José has done not just spoken. Through continuing to support in full the children's health initiative. Do not for a moment believe that there is not a correlation between the health of the child and the health of a community. There is. Thank you for understanding this, and acting on it.

>> Mayor Reed: Ana Gardato, Susan price, Kathleen King.

>> Good afternoon, council and mayor. My name is Anna Gardato I'm a community leader from ace. I live in district 5. And the budget for mayor does not reflect what the real money is in the back for new service needs next year. I would like for us in the city to have more secure, be a city more free from any criminals. We would really

like to have more police protecting us. Declining now, for next year, probably would be more possible. There also we need the libraries to be open more hours. Our kids can be there and doing their homework, being out of the gangs. Thank you.

>> Mayor Reed: Susan Price, Kathleen King, Suzanne Vasquez.

>> Good afternoon, Your Honor, and members of the city council. I am Susan Price, I'm a member, a leader with pact. I'm not going to repeat a lot of the things that Judy said or that Barbara said but I will tell you that for ten years, I worked at the family advocate in my neighborhood school. Near Bascom library. And most of the children there come from very low income families. I witnessed firsthand the difference that children's health initiative made in the lives of many children in my neighborhood. I wish to thank you, and I wish to thank you for your continued funding of the full \$2.1. For this very worthy children's health initiative. Thank you, and I thank you on behalf of the families in my neighborhood.

>> Mayor Reed: Kathleen King, Suzanne Vasquez, Emily Gatfield.

>> My name is Kathleen King, I'm with the family health initiative and I want to also thank you for supporting healthy kids for another year. I like facts so I'll give you of the 1.25 million months of coverage provided to children in healthy kids, 911,435 of those months were for San José children. Of the funding that came from San José, that covered about 26% of those months. I like to bring that up, because I know leveraging dollars is critical in these times when we're so short of dollars. That your \$1 leveraged three more dollars for children in San José. And since we've never had to disenroll a child you've made it so we don't have to this year and we want to thank you for that. Having been a parent that went through a second bone marrow transplant with a child and at the point the insurance saying they might not cover the whole thing, I know what it means to feel you don't have health coverage. And there is only one more thing that is important as health coverage and that's probably food. At the time you don't think you have health coverage, food doesn't even matter, nothing else matters, schooling for your child, nothing matters. I want to thank you for one more year. The residents of San José 28% are children but they are 100% of your future. Thank you.

>> Mayor Reed: Suzanne Vasquez, Emily Gatfield and Marguerite Arrebe.

>> Hi, my name is Suzanne Vasquez. I want to thank you the City of San José for funding health kids. Thank you very much.

>> Thank you. [applause]

>> Mayor Reed: Emily Gatfield. Marguerite Urrebe, Ernest Avilos.

>> That's a federal tough act to follow. I'd like to start off, I'm Emily Gatfield. I live in downtown. I'm glad to hear you're receiving thank yous, it's got to be rough up there and you get something different from what I usually hear. I'd also like to say I'm disappointed with the budget memo because it talks about opening new facilities. But it hasn't talked about restoring the hours to the existing facilities. The libraries provide so many services to residents beyond just access to books. They offer access to computers and the Internet for those people who don't have that. That helps low income people particularly job seekers. It's a vital service for our neighborhoods and our residents. Also of course, if we're talking about gang prevention, having a viable alternative, another place, a safe place for children to go is vitally important. I would ask that you use some of that surplus money to restore the hours of the existing libraries before you start opening new facilities. Thank you again for the opportunity to speak.

>> Mayor Reed: Marguerite Urrebe, Ernesto Villa Lobos.

>> My name is Marguerite Urrebe, I would like to thank the City of San José for supporting the healthy kids program and I hope the City of San José continues supporting the healthy kids program. Thank you.

>> Mayor Reed: Ernesto Villalobos, Dee Uresto, Anna Schultz.

>> Hi, good afternoon, my name is Ernesto villalobos, I'm the specialist for the Santa Clara Valley Health Foundation, many times I'm usually at the community looking for the uninsured children, and just by listening to families and the parents talking to me about many children not being able to take their children for their checkups at their dentist, their doctors, it breaks my heart because many of these children you know I find them at the free clinics not being able too take them to the dentist for the checkup. I really appreciate your support for the healthy kids program. Thank you so much.

>> Mayor Reed: Dee Arista and Anna Schultz.

>> Good afternoon, Mr. Mayor City council. I'm here today because of that \$10 million you people have found. Thank you for trying to give us back our libraries, and it's very important for our children. And our adults to have these libraries, we can give them more hours. The other thing is, I'd like to hopefully see our community centers come back that were closed. Because particularly, the community center in my community has, you know, has left the community without any resources. The re-use program has failed our teens, adults and community. The center's no longer the resource for the community. And is being mismanaged and run into the ground. Not to mention it is duplicating services that are across the street at Gardner school for programs, school program. And the senior program is being poorly run, one day the person who runs the program was out sick, and nobody showed up, and the seniors had to run the program as best they could that day. Nobody showed up to replace him. And the other thing was, the seniors tried the best they could. But I know they blew a few health and safety codes. Yet nobody was called in on it. Or taken responsibility or the that mess. So who is responsible for running that senior program? So unprofessionally. And for having that somebody has to take the responsible program over at that center. There is also my concern in the thing that you mentioned about, to restore some of our services back. And I'm like the rest of San José. We're very concerned about restoring some ever our police and fire people. -- I drive around San José and I don't see too many police officers anymore.

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

>> Thank you.

>> Mayor Reed: Anna Schultz or Schlotz.

>> Good afternoon, Mayor Reed and members of the council. My name is Anna Schlotz and I'm with working partnerships San José. Working partnerships was one of the organizations that helped make Santa Clara County the first county in the nation to provide universal coverage to its children with the passage of the children's health initiative in 2001. We're here to express our gratitude that the Mayor's Budget Message previous the \$2.1 million in funding for healthy kids for next budget year ensuring that thousands of kids can keep their health care. We've been out in the community talking to parents, to teachers, to business leaders, to folks of all different faith backgrounds to coaches to athletic directors to social services agencies and superintendents and overwhelmingly we've heard that irrespective of the budget climate or budget cuts or any other circumstance people feel we must protect the most vulnerable among us and that's our children. So we're so glad that the budget message reflects the support of San José leaders for children's health anybody and we're looking forward to seeing that preserved in the final budget in June. Thank you again.

>> Mayor Reed: That concludes the public testimony on this item. We do have some time for council questions, discussions, et cetera so we'll come back and do that now. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. First I want to thank you for your budget message. It's nice, as you said, to be talking about adding in some services instead of brutally slashing throughout the city. I'm particularly thankful for the focus on the streets and infrastructure maintenance. I know we've had this discussion almost every year about where we're going or not going with our infrastructure and our street maintenance. I know it's a small step but it's an important step because we need to continue to figure out how we're going to fund these long term issues. My biggest concern that I've repeated time and time again is that point where we hit that point where we get to, we'll have to invest hundreds of millions of dollars in perpetuity, because we get so far behind. So I'm glad we're able to do that and restore some services. I know the libraries have been a significant concern. I know you're aware, district 1's only had one library for quite a while because the Calabazas branch library which was by a per-resident or per-square-foot or per any measure one of the busiest if not the busiest

library in the city has been closed because it was one of those ones that was torn down and rebuilt. And our residents out there can't use the county library system anymore because of the implications to their budget and the things that they made. So I'm just very happy that we're going to see some library services, libraries opened. And hopefully as we move forward we'll have fixed more problems than created problems. And we'll see changes in our budget going forward. I think the steps that we've taken and the fiscal reform plan and hopefully the pension ballot measure changes that we'll see will really provide us some of that money to start restoring all the services. I would really look forward to having this whole place full of people thanking us for the restoration of services we've had here today because we have a lot of services to restore. Just to Jennifer, good luck, I know the long hours you've been doing are getting longer by the day. Not only you, your whole staff but at least it's going to be a teeny bit easier this year so thanks.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I actually had a question that's similar to the one that was raised by two different individuals, I think if I heard them, correctly and that was -- and let me start with that I'm excited to see us moving in the direction of opening facilities. That's fantastic. So want to make sure this question is not the opposite in terms of how it's taken. But how we are looking at the other facilities that are still closed and measuring the value of one versus the other and moving forward with Bascom I think is the one that was suggested for July 1st. I know there are some of these we have closed, whether it is Kirk which is open for Work2Future, but some others that are open for reuse, how would you measure those one against the other?

>> Mayor Reed: Not ready to do that, not contemplating being able to do that with this budget message. The staff outlined a sequence for bringing on the libraries, the new libraries, and that's about as far as I think we can go with this. But as we move forward and get more and more confident about the future years then I think that's when we would talk about all of the facilities that are in one or more forms of closure. So it's really a modest improvement to bring on those libraries although important to those -- you know to the library system, obviously. But I'm not really trying to prioritize the following steps, just because we are still quite a ways from there I think before we can begin to do that.

>> Councilmember Rocha: What about the community centers, Bascom, moving our resources to open that one prior to some of the other community centers that we've moved to look to lease out or for reuse?

>> Mayor Reed: Well the Bascom was tied to the library.

>> Councilmember Rocha: Okay. So it's a joint --

>> Mayor Reed: It's a special category.

>> Councilmember Rocha: Gotcha.

>> Mayor Reed: Economies of scale by opening both of those.

>> Councilmember Rocha: And looking to the future in terms of having the funds to operate these facilities, you know in past budget message and the manager's as well, we've talked about not moving in that direction until we have the funds to support that. And then I read in our outlook for the General Fund that we're going to have a deficit, not in this next fiscal year, but the following, so I'm trying to reconcile that, how we're going to be opening facilities if there's not the funds to maintain them if we're looking at a deficit for the future and our pension fund obligations and health care cost, et cetera, et cetera et cetera.

>> Mayor Reed: That's why I'm promoting this as an idea of a bridge budget, save money from this year to close that gap for next year, even though part of it is one-time. So even if we have two years where we don't have to contemplate cutting services, if we're fortunate. And then we have the sequence of fiscal reforms and possible tax measures that we're considering that we'll have answers to before we get there, so we'll at least have that period of time in which we have some stability knowing that, if we are adding something now, and we don't get the fiscal reforms or we don't get the tax measures, the whole equation will be different. So it's just using a little bit of extra now to give us two years to try to deal with those issues.

>> Councilmember Rocha: Thank you. And I would not hope or expect, but in the City Manager's budget and she may peek to how we're going to continue to operate a facility such as that and the plan for that, or maybe I'm speaking on her behalf.

>> City Manager Figone: Thank you.

>> Mayor Reed: I'll let the City Manager answer that one.

>> City Manager Figone: And we can address it more fully in the proposed budget. Just one way to think about the new facilities, which as you know, all of us who -- everybody in the community is paying for on their property taxes so I think that has been viewed as a council priority to get those closed facilities open. And each year, even when we were projecting deficits, that we assumed in the forecast that we would be opening facilities and funding their operation and maintenance, that is the committed additions line, but given the deficits we had to each year defund those as part of the balancing strategy. So right now what you see in the forecast is the continuation of that practice of the committed additions for the O&M for those facilities. So right now in the forecast, even in the next year's deficit, contributing to that deficit is the O&M. But as the mayor indicated because we have this ongoing projected surplus, and some one-time money, conceivably if this forecast holds true, we should be able to provides some bridge funding. And so when you see that positive number, in the third year of the forecast at least at this point in time, it does assume that those facilities will be operated. So we can go into that in more detail and drill down on that for you when we submit the proposed. But that's kind of the big picture as of right now.

>> Councilmember Rocha: Thank you, so that was the end of my questions and thank you mayor for putting some attention and focus on some of those issues in here that are some that I'm really supportive of, and I really appreciate your shift in focus on this given what's been going on with the mayor and council for the last ten years has often been proposed to you, and that's the parks, libraries, community centers, crossing guards and children's health insurance, it is great to see. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. I'm also am appreciative particularly with the children's health care, the proposal at least to maintain funding, but I also want to second the comments in regards to starting to focus on getting some of these libraries open and some of the other critical services that have so drastically been reduced over many, many years. And I have a question, and one -- I have some questions on different areas. One regarding the police substation, and I understand, and frankly, I think at this point agree, that we still have more to do to shore up gang prevention, some preventive measures rather than opening that facility which is very costly particularly starting it up. But I would like to know if, going forward if the police chief and his administration can give a sense of what cost savings may be available in opening that facility, there may be an opportunity to kind of see if there is certain units housed there for efficiency purpose there may be some cost savings, we have an understanding how much it would cost kind of to open it but would there be some savings in opening the department some cost efficiencies, or having a number of patrol officers stationed there in terms of fuel savings, in terms of keeping officers on the street if they can book people there. Anyway I think the chief will understand that point maybe get back to us as far as future year if there's an opportunity to have the complete number of what it would really cost to open it, given some of those efficiencies and potential cost savings. In regards to the cap grants, when I was reading this mayor it's indicated that it indicated there's the savings of \$110,000 due to the fact that we had more oversight with the City Manager's office and cost savings involved with that. Is that the amount that's anticipated for cap grants in the next year?

>> Mayor Reed: It's the rebudget amount. That's not necessarily the amount of the grants that would be given out. From the past savings we didn't necessarily spend all the money we had because there's qualification requirements and application requirements. Might not spend that much.

>> Councilmember Kalra: What is the number we allocated for last year? I don't know if the City Manager or if anybody recalls that.

>> City Manager Figone: Jennifer --

>> Mayor Reed: I think we allocated none for last year.

>> City Manager Figone: That's my recollection. Jennifer can look that up really quickly.

>> Councilmember Kalra: Whenever Jennifer can get back to me at a later point.

>> Mayor Reed: I think we'll be here long enough Jennifer can figure it out. She's got her communications to lots of people who know the answer.

>> Councilmember Kalra: Thank you. I'm also appreciative of the fact that senior services the suggestion that indicated when we're talking about some of the priorities of having that \$200,000 in the case and the case, it's proven to be the case at least that we do have the opportunity to get to that 400,000 number without taking money from other pots and so he I appreciate the fact that we will be able to bolster some of the senior services this year with some those one time savings we have in the surplus for the year. In regards to the survey and it's a comment I've made before just to take some of the data, with caution, I think and I think that we do that and we need to be very clear on doing that as policy makers that some of the questions and some of the one that I continually raise is the priorities of whether they're going to reduce somebody else's compensation versus cutting back on your own services or raising your own fee and taxes. Almost anyone would choose reducing someone else's compensation or taxes. More than ever we're seeing that the public is showing a willingness for further revenue and taxes and during the community budget meeting, you had the unanimous votes of each of the tables before they could allocate more resources we saw across the room that people were willing to do it and we had very broad spectrum of folks across those tables. I think again as Councilmember Pyle has indicated it is a good sign for potential for further revenue generation and I think that speaks to the fact that people, they've taken cuts for a long time, the residents have taken a lot of service cuts so that should be taken into account. As far as consolidation of the boards and commissions again I think that really needs to be taken into context, because most, we all know most of the people that are residents don't serve on the boards and commissions but those

boards and commissions have certainly helped to inform us on our decision making and I think we'll -- it's important to note is what the actual cost savings are of doing that which is something I know we have been seeking to try to get that number to see if it's really worth cutting off that really valuable too many of address. The selling of the golf courses additionally what is the savings out of that, if we needed a golf course that needs to be open space, and now it becomes a park and we get no revenue in. That is something we need to take into account. Obviously, the public will speak to the very general sentiment of selling a golf course, but it's the greater context that I think helps to inform us as we make our decisions going forward. In regards to the street repair, I'm very glad I had a chance to talk to Mr. Larson, I had a good plan as far as prioritizing some of our street repair but I do appreciate that that's a continual focus and needs to be going forward, to make sure we don't fall so far behind it will be an extraordinary cost to catch up. I have one question regarding the autumn parkway project. It indicates that the roadway constructed over the Union Pacific railroad tracks by 2013 is necessary to comply with the PUC approvals for a new railroad crossing. And so which -- mayor, which -- are you aware of which of that specific point which railroad crossing we're referring to?

>> Mayor Reed: I think we're referring to this crossing, though we've got permission to cross it here at this location. We've got to get it done.

>> Councilmember Kalra: Oh, I see.

>> Mayor Reed: There were some tradeoffs on crossing when we did this permission to do this. What weaver referring to is what we need to do here to take advantage of the permission.

>> Councilmember Kalra: I see, the PUC gave permission under a certain time line, other than that their permission expires and we have to go back to them is that --

>> Mayor Reed: I'm not sure of the details, whether it's the PUC or the contract with the railroads. Hans is here and he knows the answer I'm sure.

>> Councilmember Kalra: Thank you.

>> Hans Larsen: Councilmember Kalra. Hans Larsen director of transportation. We have applied to the PUC for a new railroad crossing, in the autumn parkway corridor. So this is up by the Target store.

>> Councilmember Kalra: Yeah.

>> Hans Larsen: And so there is a deadline associated with the permission to build a new crossing. And so that currently expires in 2013. We could potentially ask for an extension but we think that it's prudent to go ahead and build that and complete it on time.

>> Councilmember Kalra: Well, how in your experience how difficult is it to get an extension of that type of permission once it's been granted?

>> Hans Larsen: I think the biggest challenge is actually getting permission to do one. They're very restrictive in terms of adding new at-grade railroad crossings. So I think we look at this as a bird in the hand. We have the approval that is most prudent and sort of safe for us to go ahead and build it on time. We certainly, if necessary, I mean we could ask for an extension. But I think certainly what this -- the first phase project on autumn parkway does is actually opens up the corridor so you have a usable connection across the railroad crossing. We think that provides some near term benefit in terms of accessibility certainly to the HP pavilion area.

>> Councilmember Kalra: I think the project especially if you are talking about boosting the transportation corridor, eventually BART but even with CalTrain and so on it's valuable and tomorrow we hear from major league baseball that the A's are coming. I was curious, whenever we have more flexibility on expenditures like that, sounds like from your perspective it is probably better to go forward sooner rather than later.

>> Hans Larsen: I would agree.

>> Councilmember Kalra: Okay, thank you. And then the last couple of things are under the final items of -- under strategic support, C and D. C, you talk about the data analytics, and D, the outside legal assistance. And on the data analytics, something that came up when we were talking about the whole idea and report and all that, and part of it was what was the cost for staffing, I don't know if that is something some parameters we put in place and if not by your office mayor by the budget office City Manager say analytics are important but what are the parameters that we don't have, this fluid sense we're doing analytics, but something more structured, go forward and seek outside assistance and put out an RFP for that but initially I think it's important that the City Manager's office get some sense exactly what the game plan will be specifically the police department focusing on that one first and then I think essentially the same with the outside legal assistance, some sense of from the city attorney's office of what that budget number will look like or what some sense I mean what the comfort level of Rick would be in terms of an estimate for that, as well. But anyway I appreciate the budget message and this just came out, these are some initial thoughts but I'm sure we all have more thoughts come next week, so thanks.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I too want to --

>> Mayor Reed: I'm sorry, before we go on, I think Jennifer has an answer to the question Councilmember Kalra posed.

>> Councilmember Kalra: Thank you.

>> Jennifer Maguire: Jennifer Maguire, budget director. We had \$100,000 for the cap grants this year so it would be about similar level.

>> Councilmember Kalra: Thank you very much.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I too want to echo most of the remarks that were already made, and I won't ask the same questions. Around I also want to thank you for adding some -- adding or preserving some of the services that we squeezed out last year. I would like to -- I would like to see if we can have more assurance that this not be considered bridge funding but that they be considered vital to our city and our neighborhoods and we really try everything that we can to make sure that they're funded, for example, crossing guards, I'm glad to see that that is something that we look at, as part of -- as being part of a quality of life in our neighborhoods and that we maintain children's health initiative, again I don't think there's anyone sitting on the dais that doesn't believe that health care is -- it's a basic human right. And that you know, when it comes to our kids, we have to do everything to make sure that they're healthy. As well as with senior services and wellness, you know we have cut that program so much over the last you know five, ten years, that we -- we need to make sure that you know, we have some sort of inkling of a senior services and hopefully, some day, we can grow it again. I do have some questions, though. Starting with -- let me see -- starting with the gang prevention funding. How much of that, because in the message, there's a \$2 million figure that will be allocated as extra. If I'm reading it right. But it names B.E.S.T, safe school campus as well as basic gang prevention programs, I don't know if gang prevention programs and B.E.S.T. if you are considering that the same. But how much of that is going to go to B.E.S.T?

>> Mayor Reed: I think we'll have to decide that when we get down to the details of the budget. So this is a \$2 million to work around across those categories. And exactly how it gets allocated to B.E.S.T. the council will have to decide in June.

>> Councilmember Campos: Okay so if I could --

>> Mayor Reed: Interested in your opinion on that.

>> Councilmember Campos: So if I could provide some suggestions. A number of us spent Saturday throwing out the first pitch at little leagues across the city and we'll continue to do that in the next few years. I mean, a

couple of weeks coming up, different leagues start at different times. We have to look at anything you do with the child or with a teenager to keep them occupied, to keep them around positive people, to keep them off the streets, that's prevention. And so what I want to make sure that we take in consideration, when you look at the continuum of care, it's the intervention side, no one wants to work with those kids. And if you look at the crime, and the havoc that happens out there, most of it is caused by that very, very very small percentage of kids that would be served in an intervention program. So as we start looking at how -- and where we're putting extra funding, that would stay that into consideration, that those intervention services, you know, that, if you are really looking at bang for your buck you're really getting a big bang for your buck when you provide it for the intervention services. And not a whole lot of groups, one, are qualified to work with in the intervention model. And so we need to make sure that we're supporting those in the task force that have proven that they know what they're doing with those kids. You know, again, it's a hard group of kids to work with. No one wants to work with them but a lot will say yeah, we'll work with them, but they don't. I just want to be sure that we're taking all of that into consideration. One of the other ones, on a completely different side, on the neighborhood association, the downtown association. I think it's great that we're -- we've got an allocation and we're investing in the downtown association. This is the downtown, it is the center of the city. But I'm concerned that we are only looking at downtown as just one neighborhood. We have a number of business districts: Lincoln avenue, 13th Street, Alum Rock Village, Story Road, West San Carlos, the Alameda just to name a few that are vibrant business districts, that aren't even when redevelopment went away, so did any support for those business districts. And I would like to see the possibility of going back and looking at, you know, the possibility of providing some assistance for those business associations. Because, you know, a real cosmopolitan city, people will come to our downtown. But you also want to go into niche neighborhoods where, by word of mouth, you hear, hey, have you ever been to the Alum Rock village, or to Willow Glen, you can really do antique shopping down West San Carlos. We really have to look at that and if we don't support those smaller business districts, then we're really not preparing our city to be that destination point that we want. And then, lastly, on the last page, review of one-time funded services. It would be real helpful if we might be able to get a list of those services that will be reviewed. So those are my comments. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Thank you for this message and as everyone else has said, it's nice to hear some light at the end of what has been a very long tunnel. I like the concept of this being a bridge, and this is a bridge to somewhere. Somewhere we might be able to see some services brought back and see our city move towards sustainability and be a lot of optimism as we're going forward. I just want to say, I think echoing the comments you've made earlier. We're here because of some things that we didn't want to do and unfortunately had to do last year. In terms of making everyone make some cuts, very important cuts and I want to thank our city employees for coming through with that, because that is what netted this surplus, the kinds of things that we asked people to do last year, and hopefully as we put reforms into place we're not going to have to ask for those kinds of things in the future because we're going to get that this system in a much more stable situation in moving reforms all the way around including pension reform. But some of the positive things I see in this and that give me hope are, first of all and these are not in any particular order, I'm very supportive of this funds for gang prevention. The additional \$2 million. I think it's really important. We get a lot of return on this investment. And it is a very, very small percentage of our budget. If someone can just, Jennifer or somebody, can you tell us what percentage of the budget that our funding for the gang prevention represents or at least say a percentage of public safety budget? I think it's way less than 1%.

>> Mayor Reed: I can just tell you it's about 1% of the police department budget.

>> Councilmember Herrera: Is okay so 1%. The police officers will tell you, any time they come to our gang prevention meetings, and we had a gang prevention summit which I got to MC, they will tell you that you cannot arrest your way out of the problems with gangs. And so this funding is so critical. And so I support my councilmember colleague when he talks about finding those programs that really make a difference, that achieve intervention that work with youth at risk that really can take somebody on a different path. So I know that having this additional funding will target some of those additional programs and make sure we can continue to do this work. Thank you for the folks that came here to talk about children's health initiative. I'm really glad that's in the budget and we're continuing to fund that. That is not only the right thing to do but it's the right thing to do economically too, because it saves money treating kids and prevents things and saving cost all along that chain. When we don't do it we're going to pay for it a lot more on the other end. And it's also the right thing to

do. I'm glad we're putting a small business development services project manager expediter to continue that. That's so important, because these are the folks that are really helping businesses that are coming into our community and being willing to start projects and bring business, helping them get through the process and actually bring more revenue into the city. So this is really a good use of our funding. Absolutely, opening our libraries and community centers, that's great and that is one of the things we hear most from the community of wanting those library centers open, wanting library hours back. I'm hoping again as we move forward as we move forward on this bridge that we're going to be able to bring back hours in our existing libraries because I know everyone is looking to that. It's very important this \$2 million for the street paving funding the street maintenance funding as we look at our roads and we already know what kind of condition they're in I think we have to start beginning the work on that so that's a very important part of bringing our city back to a state where everyone feels positive in -- that we can move forward in a way that is befitting the 10th largest city in the country. So there's many others that I'm happy about but again, I think this is a bridge, this is a impinge to a positive process, and actually, creating a more sustainable situation going forward, thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed. I want to appreciate all the work that you put into the budget message obviously a lot of thought and thought process there but there's evidence to us that there's an incredible insatiable demand for city services. The reference to demand, in some people in the community, a perception lacks the complete understanding of how much it cost to deliver a city service. And when you take it back and you look that it would pave less than 1% of the roads in San José, or wouldn't hire the police officers, the several salaries that we laid off last year, unfortunately, that it is just a small part. And I think we need to obviously go forward on the budget process. And you know, move forward with the fiscal reforms and then restore services in the most efficient way possible so that all the services the community has an expectation or a desire for can be done. But it's going to be a step at a time. And thank you for your pragmatism but this is -- a lot can happen between now and June between different revenue sources. I'm just hopefully optimistic that things will continue and the residents will pass fiscal reform in June. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you mayor, I too wanted to thank you for the budget message. I definitely agree with post of the items here, the children's health initiative and the HNVF funding. I have just one, I guess it's a question to me right now, is whether, with the limited funding, should we increase the library hours as one of the speakers suggested or opening a new library, with the uncertainty of our funding source. So I don't know if the City Manager will be able to help us with some study, and find out whether -- I don't want to open up new library just to close it next year. I think that's my point. And I will only be able to definitely increase the hours on the current library. So I will need some help from the City Manager on that. And the other one, you know, I'm very, very happy to see, there is money allocated, 2.4, for the gang prevention funding, and that's really great. But I would also like the City Manager to look into some possibility of getting some more money from just the regular crime prevention unit in the City of San José. On not just concentrating on the gang prevention. Also on the crime prevention. So with that again, thank you very much for the message.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. I wanted to join the praise for the budget message. I did want to respond to Councilmember Campos comment which I think was well received. I agree wholeheartedly with the notion we've got a lot of urban villages we're trying to create in this city and this shouldn't just be steering money downtown. There's good reason to believe we need to continue to invest in all of our neighborhood business districts. I think in -- I didn't choose what sources of money to pull from. But I'm going to try to channel the mayor's thinking in looking at the parking fund. There really are only two neighborhoods in the city that provide resources to the parking fund and that's Japantown and downtown. And overwhelmingly the revenue comes from downtown and the areas that frame around the downtown. So the fact that you'd use parking fund money to finance the activities of that business district I think is appropriate, because it's those businesses and the customers of those businesses that are sustaining that fund. And it also happens to be you know a very rare business organization that is enabling us, by really leveraging a lot of the members and private contributions, resources to actually perform a lot of public functions, whether it's graffiti eradication, they're now talking about hiring secondary officers

to help with security downtown, with the renewal of the Pbid, they're involved in sidewalk cleaning and so forth. So there's a lot of things that the downtown association is doing that fits in the category of being truly unique among the business districts which tells me that spending some public money to leverage the enormous good we can get out of that is sensible, particularly if it's public money that's coming directly from the customers of that business district in the form of the parking fund. So that's all I would say. I certainly recognize the need though to invest in all of our business districts and I hope the council would be open to this one.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you mayor. I just wanted to congratulate you as well. This is a really good year overly thought-out, maybe you wouldn't agree that it's overly thought-out, but it is. I would like to see a little more in reference to potential moneys for tourism. And I say that because when we look at the \$13.3 million that's generated by Christmas in the park in a relatively short amount of time, I think the total amount of time is maybe six weeks or less, there is so much more I think we can do in reference to coming up with a revenue stream for tourism. But I think I need to perhaps come up with a plan that you could take a look at and of what can bring in extra money we need to take a look at so thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. And Sam I'm not trying to say one over the other. I'm just saying that we have to look at all of our neighborhoods, and business districts as being contributing to make this city that destination city that we're trying to create. And in fact, if downtown parking lots relied on downtown folks, just utilizing them, then they would go broke. Because a number of folks come from all over.

>> City Attorney Doyle: The city to come and patronize the city which they should, because the downtown is for everyone. All I am saying is we need to look at our business districts in a broader sense that they're all contributing to the city. That's all I'm saying, thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: The point is well taken, Councilmember Campos. The point is that businesses in all those business districts outside the downtown don't have to deal with paid parking. And that is the bane of many of the businesses in the downtown. They are constantly frustrated with the fact that we are charging for parking in the downtown and in some cases in Japantown as well on the street and that has been an ongoing source of frustration. And as a result, I think there is some sense that certainly, let's face it, if we didn't have charge parking there's lots of people who believe we would have more activity in those downtown businesses. There are tradeoffs here, the point is those businesses are paying directly or indirectly for the revenue we are generating in that stream.

>> Mayor Reed: Well, maybe we could consider parking in all the other business districts, a revenue source. How did it go in Japantown?

>> Councilmember Liccardo: It's -- I can't imagine anything more unpopular than discussing the parking tickets and parking charges in Japantown. But I invite anyone to join me in a community meeting.

>> Mayor Reed: So maybe it won't spread by acclamation. Councilmember Oliverio.

>> Councilmember Oliverio: Proclamation based on my colleagues' comments, Councilmember Campos is very passionate about cap grants and certainly knows his district to a great level. I was starting to think you know we have an administrative cost to the cap grants, and council offices are typically very close, you know, Xavier Campos exhibited a great knowledge of his district, and what's important and may be a consideration is that cap grants are then administered through the council office, alleviating the administrative cost. We already do it today with HP grants where we give it to various nonprofits schools, s in our district so I might throw that out as an idea the to the manager's office, for example. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: I also wanted to comment on the senior wellness programs which I think are really important and appreciate the fact that those are back in there. I had a question though about how the funding is going to be administered. I know we kind of talked about looking at some alternatives so I wondered if staff can shed some light on that. Are we still working on that or --

>> Mayor Reed: Well, they've just gotten the news that there might be some more money. So I don't think they're willing to tell us how it's going to be handled.

>> Councilmember Herrera: I want to suggest that --

>> Mayor Reed: They're pretty quick, so they probably figured out while they are sitting there. I will get angel Rios to answer the question.

>> Councilmember Herrera: I want to suggest that some of the ways we were talking about reducing the cost could then give more funding available for the senior services, and I'm sure you guys are looking at that.

>> Councilmember, angel Rios, assistant director of Parks, Recreation, and Neighborhood Services. Yeah, we pretty much have a system in place now with the \$400,000 that you allocated one-time last year for senior wellness focusing on two areas: Promoting healthy aging and preventing social isolation. We would basically take those additional funds add to the pot of money. We currently have a partnership with the health trust who is helping us administer the funding, and we think that will probably be the most seamless and effective way.

>> Councilmember Herrera: Great. Thank you for the answer to that. I also wanted to make a comment on the neighborhood discussion that is going on. I think the village concept and supporting neighborhood business districts is really important. I think one of the things we need to do in the absence -- we know we don't have RDA going forward, and lot of our business districts we want to see revitalized wouldn't have qualified anyway because they are not in RDA areas, I think we need to learn from downtown. Some of the ways that they've worked with

their businesses. And we need to work with our neighborhood businesses and create some ways of doing public-private partnerships. So I think some of the things that have been utilized in other parts of the city we can use them all over the city so I do think we need to put our minds to work and think of ways to reach out to these neighborhood business districts in our neighborhoods, and help them develop more resource.

>> Mayor Reed: I think that's it in terms of the comments. Before we finish up, I want to acknowledge and thank Armando Gomez and my budget office staff who, do the heavy lifting on this generate a lot of the work to make it happen and of course try to figure it all out after we have passed the message working with the city staff to implement the things that the council gives direction to. And appreciate that. With that I think we're done, if there's anything else from councilmembers we'll move on to the next agenda item. The action on the budget message will take place a week from today. Everybody is welcome to come back for that, as well. No action today. Our next item is 3.4, that's the agreement with Team San José. Speaking of tourism and other things Councilmember Pyle mentioned earlier.

>> City Manager Figone: We're here for questions, mayor, no presentation.

>> Councilmember Constant: I'll make a motion to approve.

>> Mayor Reed: We have a motion to approve. Councilmember Campos.

>> Councilmember Campos: Thank you mayor. I'm just on the outcome measures. It just seems like the proposed performance measures that are being presented seem to be a little bit more, how could I put it, easier to attain than what was placed before -- or maybe there's more detail in what was -- what was placed before. And I know that one of the requests is to just bring back reports on theater operations. Benchmarking convention business, impressions and marketing and branding. But it doesn't seem like that it's going to be a weighted evaluation. Could you elaborate on that a little bit more?

>> City Manager Figone: Actually I'll ask Lee Wilcox. He's very close to this contract, thank you.

>> Councilmember Campos: I just want to make sure there's some meat for us to be able to do, to evaluate whether or not you know, this is continuing to be you know something that's working so we don't end up in a situation that we came from.

>> Yes, absolutely, councilmember. The -- what the CVB agreement does in front of you today which it hadn't in the past is link the performance measures we had in the management agreement to this contract. Those being economic impact measures, 40% gross operating profit, 40% data performance at 10, and customer service at 10%. That's the management agreement is what we bring forward and report on, on a quarterly basis. To Public Safety, Finance, and Strategic Support on a quarterly basis, and there is an end of the year audit which Sharon was just in front of you three weeks ago auditing those performance measures. So that's where we measure their performance, and that's where the benchmarking report which is nearly done will be measuring.

>> Councilmember Campos: It is actually in addition to hotel room nights, direct visitor spending plus economic impact et cetera, so that's all --

>> Yes.

>> Councilmember Campos: Okay then I read it wrong. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you. Yeah I as going to point that out as well. They're stacked on top of each other. But I think it's really important that as we go forward, all the changes that we've seen in Team San José and now with the convention center expansion being well underway, that the focus on sales, specifically and generating room nights, is what we really need to do. We have seen great progress in that area, and that's really where we see the money flow into our T.O.T. account and we see less dependence on our General Fund. So that's really important from my perspective that we continue to drive that way. I just want to highlight that Team

San José and the CVB do quite a bit of work around tourism and public relations. There's been a recent article in the Washington times that talked about us as a destination. They create the visit guide, they've revamped their Website recently to really promote us as a destination. They've been hosting information on arts, culture and media events from the area. So it's all been, there's been a lot of tourism focus, I know that's one of Nancy's concern. That is something they have been doing and doing well and generating quite a bit of visitor spending here in San José and really a lot of support to the hotels which I said really comes into our coffers through the T.O.T. and decreasing the General Fund support which is what I know we are all aiming for. So I wholeheartedly support going forward here and I hope everyone can join me in voting for this.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Well the main reason I harp on that so much is when we do get people coming in for conventions and all the rest, if it's so hard for them to do something at night, we're losing a big bet because it doesn't go into our local economy and it doesn't make them very happy, either. Nobody wants to spend the night in their room. With service from the hotel. So I think there's a huge opportunity there for us to not only provide a service, but be able to get people from one destination to another. Easily enough. I think in the long run it will more than pay for itself, and I'm going to try to encourage private individuals to help get this going. I think maybe a public-private partnership might be something worth looking into as well. Thank you.

>> Mayor Reed: I'm going to support the motion. I think we've seen a lot of progress over the last couple of years with Team San José, convention and visitors bureau contract in getting these aligned I think is useful. But I do want to emphasize the need to focus on performance. And it's easy to dump a lot of money into marketing and get nothing that you can measure. And we can't afford to do that. We need to get results, hotel nights being important, as has been mentioned and working through the communications working group I think helps improve the performance measures and the quality of the product. So Team San José's been a very good participant in that. So I think that's a way to success, and so I'm going to support the motion. Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I was also support the motion. I just wanted to make a note that we're in a very diverse community. I think any future marketing efforts should gear towards international, towards our convention stuff like that. I'm hoping that the Team San José, the staff, will also be, have a good reflection of the ethnic makeup here in the City of San José.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Yeah, I'll be supporting the motion and I appreciate the work that's been done with Team San José leadership. Over the last couple of years, I just wanted to second the comments from Councilmember Chu. I think we missed the boat, a lot of opportunity, there are hundreds of events that go on throughout the Bay Area that don't happen in San José. And I'd be happy to I'm sure Councilmember Chu and others to connect with other organizations that can help better, and I know that Team San José has tried and I have seen the number of events that have increased No. community but I think we can work together to improve on that. There are a lot of entertainers that travel around the country, there's no reason and they will be at the flint center or be in Fremont and we have plenty of options for venues to bring some of those events here. And I think that we should start to strategize for our 21st century city, the demographics we have, because we have a lot of people, especially as the economy turns around, that are going to be willing to spend a lot of money. It's the same conversation I've had with the rep and the other organizations I think we just have to be aware of who our community is and who our whole community is, and then as we had the new convention center, renovations done and all that I think we'll have a great center to showcase for conventions. We have the civic, we have so many good things going for us in the downtown, that I think we have ample opportunity to help market it to a wide range of opportunities.

>> Mayor Reed: That's about it. Let me close by acknowledging the work of our staff, Office of Economic Development, City Manager's office, the improvements we've seen in the convention center and all the work we've accomplished for the expansion and the success of Team San José wouldn't have happened without a lot of staff work, a lot of good quality professional staff work to help solve problems and move in a good direction, and what's been a great improvement over a few years ago. So staff, good job. And so with that, on this motion,

all in favor? Opposed? None opposed, that's proved. Item 4.2 is our next item, that's an ordinance amending some chapters of the Municipal Code. Dealing with how we handle conditional use permit process in connection with offsale of alcoholic beverages.

>> Councilmember Constant: Motion to approve.

>> Councilmember Campos: Second.

>> Mayor Reed: Motion is to approve the staff recommendations. Councilmember Constant.

>> Councilmember Constant: Thank you. I am so happy to see this here. You know, I've been complaining for five years about this. Joe, thank you, thank you, thank you, thank you, thank you, and all your staff, thank you. It's -- I never understood how we ended up with a process that put people down a path to failure, just to have everybody spend time and money. And I know it's going to help you reduce the time you spend on things, and as well, get things to market quicker, for our businesses that just want to get a decision, have some certainty and get open. I hope everybody, I can't see any reason not to support something that is making something so efficient and helps save time and money. I hope this is unanimous.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: I second those comments. I've been dealing with it, and I know that Xavier has dealt with this for a lot longer than I have, but for about five and a half years, the time of the commission, and here, I really want to thank the staff. I know it's been a long process to get here and the commissioners, who I know very happy for this because I'll tell you as frustrating as it is for us it's way more frustrating for the staff and way more frustrating when you are a commissioner, who say I like your project I appreciate it but I vote no. And so we can -- now they don't have to do that anymore, and I think we are sending everyone, including the businesses, a lot of heartache, thanks.

>> Mayor Reed: City Manager.

>> City Manager Figone: Yes, mayor. I think if Joe were closer, he would acknowledge Lee Butler, who's sitting over here in the box. Thank you, Lee, for helping to get this here today.

>> Mayor Reed: We have a motion to approve the staff recommendation. On the motion, all in favor, opposed, none opposed, let the record note it was approved with some enthusiasm. That concludes 4.2. 7.1, a master agreement for BLP engineers for master digester -- motion to approve. Digesters always provoke a lot of discussion, I've noticed. On the motion, all in favor, opposed, none opposed, that's approved. Open forum is our last item on the agenda. Please come on down. Larry Arze, Chardad Kabir. Good afternoon council, councilpeople, my name is Larry Arzee, I live in Los Gatos. I've been a small businessman in Los Gatos for over 30 years, which encompassed three notable recessions, and I survived and grew. And submit to you that I know a little bit about small business. So I was here tonight to speak on the item that's been tabled, and I'd like to respectfully remind you that the law of unintended consequences, applies here. By altering the percentage of nonretail firms, in the historic shopping district, you may set into motion higher prices, higher rents, excuse me. As a small business advocate for 40 years in Los Gatos, I witnessed an unprecedented issuance of conditional use permits in our central business district that sent rents from \$2.50 to \$5 within five years. Professional uses and restaurants normally pay these hire rents but small retailers are hard-pressed to pay even \$3 plus triple net. Their bottom line flattens and grows and growth ends for them. If this happens, I see two winners in the experiment you are embarking on, the land owner and the leasing agent. Higher property values and higher commissions are the end game here. Sure, you will get some space filled. But will it be worth losing small business? You know, I compliment you on the protections you have written into this ordinance and your courage to try to revitalize the area. But I don't think you have gone far enough to protect small business. Commercial rent control during this trial period would help. And so will not allowing the conditional use permit to run with the property. A new conditional use permit should be required when the space is vacated. And no grandfathering in allowed. Thank you for your time.

>> Mayor Reed: Chardad Kabir. I don't see anybody moving this way, so that concludes the open forum, concluded our meeting. We're adjourned.