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>> Councilmember Liccardo: We'll call the meeting to order. Although we have just two committee members, we are a small but dynamic group and we'll start with a roll call.

>> Councilmember Liccardo, here. Councilmember Campos, here. Vice Mayor Chirco and Councilmember Herrera are absent.

>> Councilmember Liccardo: Great. Thank you. Ed, do you want to start with the review of the work plan.

>> Ed Shikada: Yes, thank you. We have no changes to the work plan. We do have one item, just perhaps under orders of the day, staff has requested that item 3.8 be heard before 3.6, which is the -- the item would be the San Francisco PUC water supply agreement.

>> Councilmember Liccardo: Great. And Councilmember Campos, are you agreeable with that?

>> Councilmember Campos: I am.

>> Councilmember Liccardo: Wonderful. Then we'll move on to reports to the committee, starting with the consent calendar. (inaudible) Sure, which item?

>> Councilmember Campos: So I'd like to pull item 3.1(c), if that's possible.

>> Councilmember Liccardo: So we're pulling 3.1 (c), and since we can't approve anything anyway, is there any point in making a motion?

>> Molly Dent: No, I suppose you can ask if anyone is here to address the item, if you want.

>> Councilmember Liccardo: Oh, sure, good point Molly, thank you. Then we will discuss 3.1 (c). Would anyone like to, from the public, like to discuss items 3.1 (a) or 3.1 (b)? Or I guess on the amended there is a 3.1 (d) also, is that right?

>> Ed Shikada: That's correct.

>> Councilmember Liccardo: Okay. So would any member of the public like to discuss any other items on the consent calendar other than 3.1 (c)? I see no one so we'll move on to 3.1 (c), public street lighting.

>> Jim Helmer: Councilmember Campos, I'm here to address any questions you may have.

>> Councilmember Liccardo: I was looking for Jim and I couldn't see him in the crowd.

>> Councilmember Campos: Thank you, chair. I think we were waiting for you to come in this side, but that's fine, I didn't think you were over there.

>> Jim Helmer: Trying to keep you in the dark.

>> Councilmember Campos: So the only question I really have on this one is I know we're receiving stimulus money and you're proposing to use \$2 million of that for infrastructure of the new LED street lighting. And I know that my colleague, Sam Liccardo, had brought up the question about bonding.

>> Jim Helmer: Yes.

>> Councilmember Campos: And when do we know when we'll have the answer to -- so that we -- if we could use that avenue, to secure funding as well?

>> Jim Helmer: Excellent. The issue of bonding or finding special third party funding arrangements for LED street lighting is a question that's really being explored, I believe across the country. There's some dynamics that really makes it difficult to go into bonding for this industry right now, and that is, the industry is young. It's in its

infancy stages. And the price point -- we're not at a good price point now to be getting as good a return on our investment as we believe we should be. Further, San José's goal is to develop not only just to install LED type street lighting, but actually to have dynamic lighting opportunities so that we can further reduce our ongoing power and maintenance costs. And that effort is underway. And not many cities are pursuing that approach. Our report indicates that by November, this fall, we should be back to the T&E with a full report on bonding opportunities and present to you for adoption our master lighting plan for the whole city which will cover the funding opportunities.

>> Councilmember Campos: So from what I'm hearing in your explanation the two-point does not -- we do not need to have that to leverage any other funding? I think what I don't want to see is that we don't have money to leverage our possibilities to be able to use other money. And if we don't use this money -- if we use this money now, we may not have the money to leverage if we need it for any other scenario. So is that what I'm hearing, that one doesn't affect the other?

>> Jim Helmer: I believe that's accurate. The way I look at it is, utilizing the American Recovery and Reinvestment Act moneys, we have to use those moneys into technologies and job project that are going to produce jobs --

>> Councilmember Campos: Okay.

>> Jim Helmer: -- fairly quickly. The \$2 million request for the LED street light installations is a way in which to do that, further our advancement of a programmable type street lighting to better prepare us down the road.

>> Councilmember Campos: Thank you, those are my questions.

>> Councilmember Liccardo: Thank you. And actually, I appreciated Councilmember Campos's questions. The -- to follow up, knowing, Jim, that we're not there in technology yet to make this financially feasible, does it make any sense to try to go out to financial markets in anticipation of what we hope will be sort of a Morse-like phenomenon that may occur in this area, in the hope that the technology could be readily available within, say, two to three years, so that we could be ready to hit the ground running?

>> Jim Helmer: Yes, it does.

>> Councilmember Liccardo: Okay, so this maybe something we want to move on relatively quickly, i.e. in the next year, even though technology isn't there yet?

>> Jim Helmer: Yes.

>> Councilmember Liccardo: Thanks Jim. Okay, then we'll move on to the regular agenda. I think that starts with the Green Vision work plan, is that right?

>> Ed Shikada: Yes, that's correct.

>> Councilmember Liccardo: I'm sorry, did any member of the public want to speak on that item, street lighting before we move on? Okay, I see no hands. So Mary, Ashwini.

>> Ed Shikada: At the committee's pleasure we'll hear 3.3, which is the Green Vision update, as well as the strategic update concurrently.

>> Ashwini Kantak: Good afternoon, Chair Liccardo and Councilmember Campos, I'm Ashwini Kantak with the City Manager's office. I'm very pleased to be here this afternoon to provide you with an update on Green Vision implementation (inaudible) don't really have a presentation. We'll kind of go on to the strategic energy plan for which we do have a staff presentation. And the strategic energy plan actually directly touches two of the Green Vision goals and then indirectly touches almost all of the goals. So pretty important things coming to you this afternoon. So in March of 2009 we came to council. We had a special study session and presented the Green Vision annual report, the 2008 report. And staff was directed to come back to this community with a prioritized work plan based on three criteria. Those were savings created or new revenue generated, private investment

generated on measurable advancement towards goals. So we looked at kind of the 2009 work plan, and have included a prioritized work plan with the staff report. And a majority of those items meet two or more of the criteria and staff will make sure to kind of use this evaluation matrix as a guide and focus on those activities that you know, produce measurable results and advancement towards goals. In addition to this work plan, we provided updates on a few other things. One of them is the recovery act and opportunities that it presents for Green Vision goals. So we anticipate receiving \$8.8 million in energy block grant funding so the memo for that is coming to council tomorrow. And it's really -- staff is proposing using this money for energy efficiency and renewable energy in city facilities. And so you'll have an opportunity to hear that tomorrow. We're also pursuing several other grant opportunities on a competitive basis, both individually and in collaboration with other regional entities. Some of those examples include applications for alternate fuel vehicles and for recycled water infrastructure. The mayor's March budget message had also asked for a report back on smart grids around energy improvement districts. Actually starting next fiscal year and coming back to this committee on a quarterly basis. So we provided some brief updates on the staff report and that, we'll be happy to take any questions you have. We're actually working with PG&E, and DOE for smart grid demonstration project in San José, working towards that and then with regards to energy improvement districts we actually had assembly bill 811 passed in July, 2008, which allow property owners to basically finance energy efficiency improvements and renewable energy and have that assessment connected to their property. So California statewide community development authorities working with California First to kind of develop a program, so the city staff is right now evaluating kinds of what that means, and if the recommendation would be to opt-in, we'll be coming to council with the resolution of intent in June. And then the staff report also includes kind of progress that we've made on the different Green Vision goals. One of the areas that we have had challenges is with the solar RFP which wasn't successful. So we'll be coming actually to council with a report on that in terms of kind of what the challenges were and what we would recommend for next steps. Since we released a staff report, we've actually had excellent news on the trails. So you probably saw that in the City Manager's weekly report, and we got designated, our trail network got national recreation trail designation. So we're the only trail network in California, and one of 13 states, so that was real good. So at this point I just wanted to say we'll be coming back with kind of quarterly updates on progress on green vision goals and then also any specific program related things like the solar RFP or anything related to the Recovery Act. And the next annual report will be coming to council in 2010, early 2010. So I'm happy to take any questions you have related to green vision overall, and after that we can move into the strategic energy plan discussion.

>> Councilmember Liccardo: Great (inaudible).

>> Councilmember Campos: Regarding the RFP, and in looking at how many people did not respond, and that the one that did, we had to reject.

>> Right.

>> Councilmember Campos: Because they did not meet the minimum standards. I'm wondering as we move forward, why wouldn't we kind of lump all of this together to maybe increase the chances of getting more proposals? Is there a reason why?

>> John Stufflebean: John Stufflebean, environmental services director. I don't think the main reason we didn't get responses was that it wasn't big enough. I think there were other legal reasons why companies chose not to propose. So I don't think -- I don't think that making it bigger would necessarily change that. There's some other issues that we need to work through as -- that's not really the big one.

>> Councilmember Campos: And so are we working through those and will you be presenting those to this committee to let us know where we're at?

>> John Stufflebean: Yes, as we come forward, and I'll let Molly talk in a second, as we come forward with our proposal for what to do next, one of the key issues is how do we work past those measures. Molly, did you want to --

>> Molly Dent: I think the staff memo says that there is going to be a recommendation to the full council in June for how to move forward based on the responses to the RFP that was submitted. So there will be something coming to the full council in June.

>> Councilmember Campos: I guess my question is, so it will go straight to council, it won't come to the committee before it goes to council, it just goes straight to council?

>> Molly Dent: Right, because it's an action on the RFP itself.

>> Councilmember Campos: Okay. I think -- so do you know what that recommendation is right now? Or what those proposals are?

>> John Stufflebean: Yes, we have written a memo, and it's -- I'm trying to remember the exact status. Has that gone through City Manager's office? You were gone last week, you probably don't remember.

>> Ed Shikada: Sure, somewhere on my desk.

>> Councilmember Campos: So we haven't received that yet.

>> Ed Shikada: Right, you have not.

>> Councilmember Campos: And maybe that will answer all my questions. But if it doesn't, then I'll just do an info memo to you so all my questions can be answered.

>> Councilmember Liccardo: It's to recommend going forward, with exclusive negotiation with Sunpower, is that right?

>> John Stufflebean: Yes.

>> Councilmember Campos: And I -- so my concern about that, that's kind of what I was getting to, is that if they didn't meet the minimum, I'm not understanding how we're just overriding that. I guess that's what I'm trying to get to.

>> Molly Dent: I think that's what will have to be in the memo, so I think it's good for you to get your question out on the table, because --

>> Councilmember Campos: That's what I want to know, is that how are we overriding that, if they didn't meet -- in your memo, because that's what it says, if they didn't meet the minimum standard, so why are we moving forward to recommend them? And that's what I want to be able to understand and have the answer in the memo. So I'll wait for the memo, then, and hopefully that -- my question will be answered in the memo.

>> Councilmember Liccardo: Is there something for you to give us a preview or -- I think we're all dying to --

>> John Stufflebean: I think Molly has the agenda here.

>> Molly Dent: Well, yeah, it isn't on the agenda. I just simply wanted to point out that it is supposed to be coming to council for a recommendation in June.

>> Councilmember Liccardo: It specifically refers to in a report that is specifically agendaized. So I don't think there's any notice issue here.

>> Molly Dent: Actually, I don't believe it is agendaized yet. I don't believe that the recommendation -- I don't think it is on a council agenda.

>> Councilmember Liccardo: It is not agendaized for this committee meeting, and on page 5 it simply describes that there will be a staff recommendation going to council.

>> Molly Dent: Right, correct.

>> Councilmember Liccardo: To override exactly along the lines that Councilmember Campos inquired about. So I think it's reasonable for us to just ask a little bit more to understand.

>> Walter Rossmann: And I can speak to this. Walter Rossmann, chief purchasing officer. The reason why Sunpower didn't meet the minimum qualifications is very specific. Staff put in the minimum qualifications that for the Mayberry yard, the megawatt hours to be generated by a future solar array shall be 0.25 megawatt hours, and their proposal did not meet that. It's a really technical issue. They have a solid proposal but they didn't meet that part of the minimum qualifications. So therefore, staff will recommend or plan to recommend to the council on June 23rd, is to still move forward with Sunpower negotiating agreement, however with less power generation than was initially indicated.

>> Councilmember Campos: So we're changing the type of criteria?

>> Walter Rossmann: For this particular item, correct.

>> Councilmember Campos: And can you do that in the middle?

>> Walter Rossmann: What happens, you reject all proposals, and council has the authority from the municipal code to direct staff to negotiate with the one proposal which we received or the proposer for which we received the proposal.

>> Councilmember Campos: And that will be laid out in the memo?

>> Walter Rossmann: That's correct.

>> Councilmember Campos: Okay, I'll read your memo, and if another question comes to my head, I'll do an e-mail or an info memo so we can have all the information before we vote on this, thank you.

>> Councilmember Liccardo: I know this is all part of -- I know what's coming, too. I see Mary's ready with her finger on the button. Shall we go forward with this before I ask any follow-up questions along the lines what Councilmember Campos was going?

>> Go ahead.

>> Councilmember Liccardo: Just go ahead, okay. So as I understand it, there was a problem that we -- we had a lot of interest in this, but there was a standard nonappropriations of fund clause that was the hangup for a lot of these companies. I'm not sure what that means.

>> John Stufflebean: Okay, I guess, I think -- Molly, why don't you go over the resolution to answer that.

>> Molly Dent: Well, I don't know what -- I guess -- I can describe a nonappropriation of funds clause. I think Walter would probably be a better person to talk about all of the issues with the responses to the RFP. Do you want me to go first?

>> Walter Rossmann: Sure, no, I can, and you can chime in, in case I miss some legal part. Standard contract have for the city that as council approves the budget annually, the contracts will be funded annually. So there's a standard clause in each contract which is an operations clause, which basically means council makes the decision for each fiscal year to fund the contract. What that means for, in this case, for this RFP is, most of the solar panel providers use a third party company to actually finance the installation of solar panels, was looking for a revenue stream coming back to pay for the financing. If there's not an appropriation fund clause in there, that financing is not a continuous stream of finance, but it's annually appropriated. So that creates for their current financial market which creates some difficulty and hiccups. So that is one of the main issues which companies told us as we went through the RFP process this is an issue for them. We worked through that, we tried to work through the RFP process to address this, but it wasn't sufficiently done from their perspective that they would submit a proposal. Sunpower did submit a proposal and they were willing to work with us through that. So what we would like to take the approach is, let's see what comes out with that. If in further negotiation with Sunpower,

maybe we could find a way with the third party financier with the financial markets today, to address the issue. Once we went through the exercise and have experience with that, with that we can move forward with future RFPs.

>> Councilmember Liccardo: Thanks, Walter. Do you have any questions?

>> Councilmember Campos: I'm done.

>> Councilmember Liccardo: Thank you. Should we go on to Mary's presentation?

>> John Stuffbean: Sure, just a quick prelude. This is our strategic energy plan, and because we are not a party totally, we put together a plan that takes that into account, in terms of what the city has financial and legal authority to do. So you'll notice that our themes are leading, engaging and innovating. That we want to lead by example, we need to engage a lot of other folks, some of whom do have the authority that a power utility has, and also, we need to be innovative in how we carry this through. So our -- what this plan is based on is a large stakeholder process, to work with a lot of other partners. So I'm going to let Mary take it from here and talk about what we concluded. Mary.

>> Mary Tucker: Thank you, good afternoon, Mary Tucker energy manager for the city. Within the Green Vision, as you know, the primary energy goals are to reduce per capita energy use by 50% and receive 100% of our electrical power from clean, renewable resources. And these energy goals are strongly linked to many of the other green building goals: Zero waste, sustainable development and the conversion of 100% street lights to zero emission lighting. The energy goals also contribute to the reduction of greenhouse gas emissions. As John stated, the magnitude of these goals are further understood when you realize that the city does not have an energy utility which limits what we can do related to energy generation and distribution. Funding an incentive program, our work is done with partnerships, grants, contracts, education, persuasion and creativity. The city's energy goals were presented and discussed with the community in an effort to identify strategies for us to achieve these goals. So the plan was developed in a brought community engagement process marked by other 30 community interviews along with a steering group comprised of business, environmental, and community representatives working with city staff. The steering group was comprised of representatives from the Silicon Valley Leadership Group, PG&E, Solar Tech, Sierra Club's Cool Cities Program, community representatives that's -- who's involved in Envision 2040 and seven different city departments, and I believe some of them are here today. So the three policy directions that were identified through this community process were leadership, engagement, and involvement. And as you see, these directions mirror the strategic framework within the City's green vision while concentrating on those areas most likely to achieve the energy goals. So leading, we and many throughout the city are proud of the City's leadership and continuing efforts on energy such as our ongoing collaboration with the green building program, ensuring energy efficiency, extensive efforts at identifying and installing solar opportunities on city facilities, in particular our CDBG, community development block grant program, will have six facilities, library, fire stations and community and youth centers, have solar photovoltaics installed on them this summer. And as you heard, our efforts continue to address and resolve the issues associated with installing solar through the use of power purchase agreements, particularly the appropriation clause, and we're hopeful about our efforts to resolve this. We are particularly proud of the City's innovative and much admired energy fund, which is an ongoing revolving fund where the rebates and first-year savings from completed energy products return to the fund in order to continue energy efficiency installations and also fund the energy officer position within our department. Next steps for leadership include continuing these efforts along with securing additional financing. As you heard, the energy efficiency and community development -- community block grant within the Resource Recovery Act, where the city is designated to receive \$8.8 million, and you will hear more about that at tomorrow's council meeting and an opportunity to discuss and approve. We're also looking at new bond financing measures, clean renewable energy bonds, and qualified energy conservation bonds for both city and community projects, and definitely continuing our partnership with PG&E through our energy watch program, providing audits and implementation services to Santa Clara County municipalities including San José, small businesses, nonprofits, and the residential sector. So in conducting the research for the development of this plan, we reviewed a comprehensive study conducting by the California Public Utilities Commission where they identified the most significant perpetual and emerging barriers and opportunities. One of their findings was that Californians need fundamental education regarding energy efficiency, and so engagement creating long term behavior changes was the second strategic direction for this plan. What we found in our interviews and discussions throughout the city

was an enthusiastic willingness to partner with the city on educational campaigns and other opportunities to advance the Green Vision goals, particularly the energy goals. And we intend to act on these findings, if the plan is approved, developing joint educational and marketing opportunities to increase the awareness of energy efficiency and solar technology. Our continued and new opportunities to engage the community include, as you heard, exploring smart grid opportunities with PG&E through Recovery Act bonding, continuing our educational programs, and beginning to coordinate a wide range of financial assistance opportunities looking at neighborhood group purchases, working with credit unions to establish low interest loans, and coordinating with state and regional agencies such as the California State Community Development Authority that Ashwini spoke about and its statewide programs, and continuing the local government partnership with PG&E for the municipal, small business and residential sector, and employing a whole neighborhood energy efficiency approach where we will involve -- we are already in discussions with many of these agencies right now, and so collaboration among these wide variety of agencies in order to provide one-stop shopping, as it were, as we go into neighborhoods to provide energy efficiency to a wide range of residences. Building on the city's strong neighborhood initiatives, we are in the final development of this program and anticipate rolling out some small pilots for this with the full program in late this year and early 2010. As stated, we're working with the CSCDA, Community Development Authority, we are looking at joint marketing and educational programs to the building community, ensuring collaboration with both the city and state programs around green building, net zero and solar homes programs through the California Energy Commission, and also developing linkages with the state's Green Chemistry Program and other entities, identifying opportunities for ensuring environmental safety in the manufacture and disposal of existing and emerging energy efficiency and renewable energy technologies. So our third strategic direction, innovation, fostering innovation throughout the community, we are working with the U.S. Department of Energy and PG&E on smart grids and smart meters. Having a pilot program, PG&E would be submitting this proposal with, hopefully, San José as its partner. Another example of new innovating technologies includes the kilowatt or kilowatt EZs which are plug power meters designed to easily measure the electricity used by your appliances, allowing homeowners to see how much energy you're actually using. So we are finalizing a tool-lending library with the City's libraries where these and other tools will soon be available through our PG&E funded energy watch program. Other areas of innovation, you've heard about so much with the City's Office of Economic Development, where they've been leading the charge, and the Department of Transportation in partnering, having demonstration partnerships with a variety of companies and innovators, and supporting all of these activities will be the City's continuing efforts to ensure a robust and dynamic workforce for energy efficiency and marketplace. It would really help, though, if these folks were all trained to have jobs for them to go into, and that's what we're working on. So we'll be continuing and expanding our areas. Another potential area that's being explored is the potential for urban solar mini farms on city lands. And so we're beginning to explore that. We believe there are opportunities to generate solar on city lands and are working with PG&E and others to assess these opportunities. Also, included in the energy plan is the City's proposed Organics to Energy work plan, which will begin to outline strategies that will help us identify the appropriate technology options for San José based on the available waste streams, the infrastructure, and the community interest. Activities in this work plan will help us identify practical solutions for developing this renewable technology energy conversion capacity within San José. And so this concludes our presentation recommending approval of the strategic energy plan which would establish the road map to achieving goals 2 and 3, and we are available for any questions. Thank you.

>> Councilmember Liccardo: Thanks, Mary. Councilmember Campos.

>> Councilmember Campos: I'm fine, thank you.

>> Councilmember Liccardo: Okay, great. I just had a couple of questions. First of all, thanks to all of the questions who participated. I see several folks in the audience who I know spend a lot of time on this so I really appreciate the cooperation, both in the private sector and in our community. I had a question first about the solar farms. I know we are looking at various landfills including Story Road and I know the concern of the community is to ensure that we still have that trail running along Coyote Creek. And so I know this is still very early on in the process but is there anything about having a major expensive solar array out there that precludes people from being able to use an adjust trail through a --

>> John Stufflebean: Those should be compatible uses.

>> Councilmember Liccardo: Okay, great, that's encouraging. Wonderful to see the movement we've got in smart grids and smart meters. I really look forward to seeing that pilot project. I know that would make a huge difference. The one concern I had looking at this strategic plan was, in the area of financing. And I know it's something we've spent quite a bit of time talking about. And I appreciate what's been done with the revolving fund. I agree that's certainly innovative. But admitted, probably a small amount of money that we would need to do to get to a 100% renewables in 15 years. And certainly appreciate some of the discussion there. But generally, most of what I saw described in the strategic plan related to the ARRA money which is about 8.8 million, the revolving loan fund, and the statewide property assessment program, which is helpfully, certainly, hopefully very helpful for our private consumers. I didn't see much discussion about the clean renewable energy bonds or other kinds of financing measures we might need to get really through the -- what would be the majority of the cost I would imagine to really trying to make at least on the municipal end, making us really make the transition to renewable energy. And I'm wondering, was that intentional, because things are still moving around, and we're not sure what's what or what's the think around that?

>> John Stufflebean: I mean a lot of the standards haven't even come out yet in terms of what you have to do to be available -- to be able to accept that money. And then a lot of it is just legal and financial issues that need to be worked through.

>> Councilmember Liccardo: Okay.

>> Mary Tucker: And the CREBs, the Clean, Renewable Energy Bond, there is an opportunity to submit an application in early August, and so we are analyzing our opportunities in the you know doing an analysis of what could be submitted as part of that.

>> Councilmember Liccardo: Okay.

>> Mary Tucker: And so there's the potential for coming to council this month, giving the City Manager authority to, you know, look and put in an application for those.

>> John Stufflebean: So our objective is never to miss the opportunity to spend somebody else's money.

>> Councilmember Liccardo: Absolutely, I'm in. I would imagine that from the standpoint of the council, what would be really helpful in terms of understanding the strategic plan, to be able to look at the 30,000 foot level would be to understand, with the 132 kilowatt hours that we currently spend in the city, how much does that cost us on an annual basis? So what would it save us to suddenly go renewable, if suddenly that 132 kilowatt hours was suddenly satisfied entirely from renewables, what would it save us? So that would give us some indication of what our savings might be. And then what would it cost us to get to our goal, which is the 100% renewable, and understanding what that delta is would be hugely helpful in helping us all kind of, at least for me, understand how big an obstacle this is and what kinds of -- how big we need to think in terms of bonds or any other financing mechanism. I just offer that as -- hopefully it's helpful. And the other question I had --

>> John Stufflebean: I need to add, the one element of that, a lot of that we can figure out. The one element of that that is the most difficult to determine is what is the future cost of energy going to be? How expensive is it going to be, therefore, how much are we going to save? And some analysis, or for example, if you assume energy is going to go up 4% a year or 6% a year, it makes all the difference in the world in terms of whether something that you're looking at is conceivable. So a lot of it is what is your projection of future energy costs? We can give you our best shot, but that's the variable that's most difficult to predict and the most critical in terms of what's sensitive to the value of a project.

>> Councilmember Liccardo: That's a good point, John. And I appreciate that this is all, to some extent, particularly as we get out more than five or ten years, is pure conjecture. And I know we've seen enormous amount of fluctuation just in the last year, so that point is well taken. With regard to the statewide property tax assessment program that's been contemplated, I think it's SB 811, I know there's a lot of regional discussion at ABAG about how they might be able to do it regionally. Are we interested in trying to get out in front of that or just participate in that or --

>> Mary Tucker: CSCDA, the California State Development Authority, is much further along in its program development and being able to offer a program than ABAG is right now. We're going to be studying this, but I would think that being able to participate as a pilot program with CSCDA would not preclude that us from being able to work with ABAG on what they're pulling forward, too.

>> Councilmember Liccardo: Okay, Great. Well, thank you very much. I see we have one question from the public or one comment. Popia Gamblin from PG&E. Welcome.

>> Popia Gamblin: Thank you, Chair Liccardo, Councilmember Campos. I wanted to take the opportunity -- my name is Popia Gamblin. I'm with Pacific Gas & Electric Company, and I am your government relations representative on behalf of the company. I want to acknowledge staff's dedication to the Green Vision. We work hand in hand, PG&E and staff, to make the Green Vision a reality in the city. And one of the things I wanted to highlight in particular about the strategic energy plan road map that is in front of you is the component of innovation. A lot of these issues are emerging, and it helps PG&E to have an innovative city like San José to partner with so that we have a mutual interest that we can both work towards. It helps to have each other in the corner when we're looking at these issues, and I wanted to thank the council and staff to continue these efforts and looking forward to working on them.

>> Councilmember Liccardo: Thank you.

>> Councilmember Campos: I'd like to ask you a question.

>> Sure.

>> Councilmember Campos: Because you made a statement about it's great to be able to partner with the City of San José. So are there other cities that are being as aggressive and as bold laying a vision out of this magnitude with PG&E at this point?

>> Popia Gamblin: I would say San Jose is in the top five of all of the communities that we serve in the Northern California area. So it's always competing against San Francisco and Oakland, the top three cities in the area. But San José's Green Vision helps in having that very distinct road map. This adjunct document will assist in providing tools to help rally the conversation around specific areas as we move forward. So I would say San José's definitely a leader in that way.

>> Councilmember Campos: Thank you. So from what I'm hearing it's some of the top -- the bigger cities that are taking the lead and being bold and putting out this plan?

>> Popia Gamblin: Uh-huh. And with that the smaller cities do benefit from that.

>> Councilmember Campos: That's great, thank you.

>> Thanks.

>> Councilmember Liccardo: Thanks, Popia, thanks for all your hard work and help from collaboration with PG&E. Okay. We don't have a vote to take. All right. With that, I guess we'll move on. Thank you very much for all the information. I know there's an enormous work going into that effort.

>> Ed Shikada: So Chair, just to be clear, 3.5 will be agendized for full council considering noting not a committee recommendation action.

>> Councilmember Liccardo: Right, great. You know, I have an old agenda. Do we go to regional transportation activities next?

>> Ed Shikada: Yes.

>> Councilmember Liccardo: Okay, let's go there.

>> Jim Helmer: Councilmember Liccardo and Campos, as Hans is prepare the presentation, I'll just briefly introduce this item. This is our quarterly report, where the Department of Transportation, working with our partner departments, brings to you important information about regional transportation activities. This one is very, very important, because the coordinated effort on the federal recovery act, as well as the voters' approval for both high speed rail and BART. So as we go through this presentation today, I think you can -- I think we'll all agree that there's a tremendous amount happening in transportation, both on the local, regional and federal level. So Hans.

>> Hans Larsen: Thank you, Jim, Mr. Chair, members of the committee, get right to this. We're going to start with update on the federal recovery act from the federal transportation perspective. A lot of work is going on in terms of selecting specific prompts that are to receive these funds. Particularly at the local, regional, the MTC and state level. And very pleased that San José is receiving \$15 million for pavement maintenance work. And the other projects there represent over \$100 million of work that is not coming directly to San José as a city, but are investments being made in the San José community for improvements that are operated by the county of Santa Clara, CalTrans or VTA, and you can see the list of projects there. Some of the remaining programs to be allocated are those in which the federal government has the discretion. One that we're closely looking at, then I'll add a few comments later, is on high speed rail, trying to capture a portion of the \$8 billion national investment for California and particularly for the Bay Area. An interesting program called the Tiger program, stands for transportation investments generating economic recovery, there's \$1.5 billion there. There's a cap of no more than \$300 million per state. So that means up to \$300 million for California. We're working with the VTA and MTC to try to target money from that program for key projects of national significance that include the 280-880 Stevens Creek interchange upgrade, BART or the capital light rail extension. And as we've discussed earlier there's quite a bit of money for energy efficiency San José through local discretionary actions that the council has, it is proposed to receive over \$2.2 million for our programmable LED street lighting program. There are other funding pots available at a national level which we hope to tap additional funds for clean energy and energy efficient street lighting. As I mentioned, high speed rail is one of the big programs out there. The California high speed rail authority has adopted as a priority for federal stimulus moneys, trying to get money for improvements in the San Francisco to San José segment as well as Los Angeles to Anaheim. And we're working together with a coalition of state holders in the Bay Area to try to get early investment for high speed really system between San Francisco and San José, so that we have a full high speed rail service between the two big cities in the Bay Area by 2016, trying to capture as much federal recovery act money as possible, in the near term, and part of that strategy includes a full buildout of the Diridon station as well as the transbay terminal in San Francisco. So under the -- kind of the lead of MTC, we're working together to develop an aggressive strategy for that portion. Ultimately, the goal is to have the system from the Bay Area to Southern California up and running by year 2020. Within San José, the project is very active in looking at refining the design options as the high speed rail comes into San José in terms of the alignments, the profile, there's various options being studied. There will be an alternatives analysis done of that, and over the next six to 12 months we can expect to have city council weigh in, in terms of the preferences in terms of the alignment for high speed rail in San José. This is all leading towards completing environmental report in the year 2011. The BART project is under construction, moving closer towards Santa Clara County with the extension towards Warm Springs. Contract's been awarded for that. Activities within the Santa Clara County portion include work by VTA. The highest priority activities are completing the federal environmental clearance which then makes the project eligible to receive federal funds. As the council is aware, there's a few design issues that have come forward to the council, and the Rules Committee looking to assure that we have a good connection between BART and light rail in Milpitas, and we've been assured by VTA that they are modifying their design to ensure a seamless connection there, so that's moving forward well. Work is being done to look at the potential for an interim opening of BART, and looking at a series of alternatives, clearly the priority has been, by our council, the VTA board, is to complete the whole project at once, and work will be continuing on that to try to make that happen. But recognizing kind of the fiscal environment that we're in, there are options being evaluated that if it became necessary to look at a phased opening, there are several options being looked at including Milpitas, Berryessa and Alum Rock. We'll also over the year be looking at options to build portions of the downtown areas early, including the station boxes in the downtown core or Diridon. One of the things with the downtown core station, if we were to do early construction, one thing we're emphasizing is that it actually be the complete construction of the station, so that we're not having to disrupt is downtown community more than once with BART construction in the core. The last item there to note is through the direction from the Rules Committee, taken on May 20th, we'll be coming forward to council with a resolution reconfirming the City's

position to support full implementation of the BART project. So we'll put something officially on record indicating that preference. And we expect that to come to council in August.

>> Councilmember Liccardo: Hans, I'm sorry to interrupt but that's not coming through the committee?

>> Hans Larsen: Direction from Rules Committee was to just have it come back to council. I think the context is, is that it really is sort of the informal action of the council already, and we're just reconfirming that.

>> Councilmember Liccardo: Okay.

>> Hans Larsen: I think that the Rules Committee if they're meeting on the 20th, did ask some design issues, Milpitas, phasing, that those come back to this committee to look at sort of the details of those.

>> Councilmember Liccardo: Great, thanks.

>> Hans Larsen: The VTA is planning to approve their two-year budget this Thursday at their board meeting. In terms of the capital investments, they're recognizing a decline in their sales tax revenues, which is leading to having to cut back on some of the work that they're doing. But there still is a lot of important work that is going forward. As I mentioned, the focus on BART is to get the federal process complete and secure federal funds. The light rail projects in Capitol to Eastridge and Vasona are being federalized for federal environmental clearance to open up opportunities for additional funding for other sores for those projects. There will be work going on in the CalTrain corridor with focus on the high speed rail investments in the quarter. The Santa Clara-Alum Rock project will move forward into final design, and then we will continue to do planning work for the automated transit network project in the airport area. So while revenues are down, there is still a lot of good activities that we can move forward with over the next couple of years. One area that will have a tremendous amount of activity coming up this summer and into the fall is doing a major planning study for the Diridon station area. And it seems that this area has attracted a tremendous amount of attention from various stakeholders, looking at the wonderful opportunity that San José has in terms of development in this area. Really, as being initiated by the transit investments that are coming here, the convergence of BART, high speed rail, expanded in the Diridon station, along with CalTrain, bus, Ace, Amtrak, light rail coming together, this place is really unique almost at a national level in terms of the regional transit axis that you have at a single point. So this begs the question of how do we plan the land uses around this area. And I'll talk a little bit further about the collaboration we had with Harvard University. That effort is complete. MTC is funding a grant study of the effort which is really kind of our formal kind of master planning process and the contract and the agreements will go to council tomorrow regarding that item. So that will look at expanding Diridon station to pull all the modes together, a land use plan, and environmental clearance. This includes also a transportation access plan which includes parking and transit services, walking and biking, the full multimodal transportation portion. The national urban land institute has taken an interest in the area. And they're planning to do a study of this opportunity. A Bay Area organization called the great communities collaborative which is led by Green Belt Alliance with Transform, Silicon Valley Bicycle Coalition is also putting together a process to look at the planning for it. And then of course we have the ballpark proposal which is in this neighborhood, and there's a good neighborhood -- good neighbor committee that's been established and they'll have their kickoff meeting later this week. So no shortage of activity and action around the Diridon station area. As I mentioned, Harvard University worked with us. They did a student project with their school of architecture and urban design. And we'll be talking about this much more, likely with the Good Neighbor Committee and as part of the formal outreach. But just to give you a little taste of some of the key ideas that have come from that, they recognize the importance of this location and are seeing this is really a regional destination for both Silicon Valley business and entertainment. And really look at this area as being the center of kind of the entertainment center for San José. And really, for all of Silicon Valley, as well as a point where business activities in Silicon Valley can occur. And they recommend looking at really creating an iconic urban place that really has world-class architecture, public art, and can become an area for San José much like Times Square is in New York. And that is sort of a gathering place for the community to celebrate and have fun. One of the other key ideas that came out of it was looking at tying the area well with the downtown core, and maintaining a strong view corridor with Santa Clara Street. And I'll illustrate that here a little bit in this picture. The work from Harvard, there were 12 students that did this. And they teamed up into teams of two. And so we have really six sets of ideas that have come through this. This is a model from one of the teens. But it kind of highlights some of the key features of the area. We've got HP Pavilion, the existing Diridon Station, new facilities including the ballpark to the right, a

greatly expanded Diridon station, particularly designed to support high speed rail and some of the ideas really are focusing on this area as really the key development area that ties the station, HP Pavilion, the proposed ballpark and the existing downtown core, that this is really the critical area to look at in terms of a great public place where people will gather to go to entertainment facilities, to move from the station into the downtown core. And the concept of tying it well into the downtown core looks up the Santa Clara Street view corridor. Right now Santa Clara Street takes a bend at the Alameda and the Diridon station is somewhat hidden. Many of the teams from Harvard recommending creating a strong view corridor. It's not necessarily a driving corridor, it could be a pedestrian corridor, but you can really kind of see back into the station and have clear lines of sight from Diridon Station through the downtown core to City Hall. That was something that they asked that we look at. So a lot more work to come. We've got some great ideas from the Harvard team, we've got a lot of community stakeholders that will be weighing in. So it should be a fun exercise to pull this together. Another thing coming up is the federal government is looking at reauthorizing their national transportation policy and funding. And the notion of earmarks is one that is -- has been kind of disparaged as something we don't want to do. You get the bridges to nowhere. But it's been recognized that earmarks are an effective and efficient way to get money to key priority projects. And the problem previously with earmarks was that there was not a lot of openness or disclosure in terms of the process. So what's being done now is they're proposing to have a pool of funds for earmarks that Congress members can target for key priorities, but what's required is that they select projects and post them on their Website, and describe what they are, and so that there's a level of openness in terms of what's being proposed for earmarks. And we are very pleased that our Congress members, Lofgren and Honda, have selected some very important projects and it's been through work with the VTA and the county, us and other jurisdictions, to suggest to them key priorities for us. And these are the projects that have been identified, and are now posted on their Website, as candidates for earmarks. And you can see here sort of who's who of our top priority projects from BART, light rail extension, and capitol corridor to Eastridge, 880-280 Stevens Creek, 101-Capitol, Yerba Buena interchange upgrade, 101-Trimble, which is a key priority for North San José, Autumn Parkway, which is a gateway into the Diridon area, some bike and trail work, and then reauthorizing the Mineta Transportation Institute as a national transportation research center. So we are -- these are not locked in, but it's kind of step 1 and we think this is a very strong first step in terms of trying to get more federal dollars for our community. That's good news. I want to I guess kind of close a little bit on a piece of bad news. And probably appropriate to the sort of the times that we're in. Every year, there's a rough roads report that an organization called TRP, Transportation Research Project and this year they collaborated with the American Association of State Highway Transportation Officials to identify the areas that have the worst roads in the country. And unfortunately, the San José metro area was rated second worst in the nation. But I think what's also really telling is that California as a state ranked second-worst in the United States in terms of the condition of its roads for the entire state. And really, the key issues here are, one California as a state ranks dead last in terms of funding that it provides to its state and to local communities for transportation infrastructure. We also have, as we know, our own issues with providing money, city dollars for this. And the key concern really is that both as a state and as a city, that we're at the point where it's costing us a lot more money to fix the roads that we have because of the advanced deterioration. Specifically, taking a look at the list that they have at the national level, as I mentioned, we rank second worst of the metro area. But if you look in yellow there, you can see the other metro areas in California. California had eight of the worst 13 metro areas within the country. And then as we've reported before, within Santa Clara County, we do have the worst readied streets with our neighboring jurisdictions. So this is something as a policy issue can continue to work at. I think there is a focus at the federal level to invest more in taking care of our infrastructure. The thing, though, is that the national investment, you know, all the boats are going to rise equally. And as California and as a city, you know, we kind of lag in our end. We'll continue to kind of be on these worst lists. I think as a state, though, it's something to look at in terms of the state investment. However we just received news last week that the State is looking at cutting 70% of the gas tax revenues that they distribute to cities and counties, they're looking at withholding that. And that can mean up to \$11 million next year for San José. So the news is not good in that area. That concludes my report. I think Jim's got a few color comments to make on --

>> Jim Helmer: I was indicating that is a two-year proposal, \$11 million and then \$12 million the following year.

>> Councilmember Liccardo: Thank you. In our neighborhoods we like to affection atly call potholes traffic-calming devices. It's all right. Nora, did you have a few questions?

>> Councilmember Campos: I just had a few. Thank you. When you talked about the proposed earmark from our two Congress members that are supporting them, BART is at the top. Are these in specific order, or are they just a list of earmarks that they're supporting?

>> Hans Larsen: Yes, this is a list. They're not in any priority order here, nor are they in any priority order on the councilmembers' Website. Just on BART, there is not a dollar figure associated with that. What we're trying to seek is authorization through the new bill so that it is eligible for funding. It would be the new starts program would be the vehicle in which to actually get money for the BART project. And the goal is to get at least \$750 million out of the new starts program for BART.

>> Councilmember Campos: Okay. So from what I'm hearing, is that the BART project does not have support right now from the Congress members, it's just -- that's what I want to understand. I was up there and I was hearing different stories. And I kind of want to be able to understand what the true picture is about BART getting funding. And what is the process that we have to go through in relationship to the criteria that the federal government has, and it seems that there are two different stories on that. So I'm just trying to understand this, and if you can't explain it all now, I'd be happy to be able to talk to you offline. But it just seemed to be different messages that I was getting in Washington around BART.

>> Hans Larsen: Well, I think the key thing is, you know, in order for it to be eligible to receive money we need to finish the federal environmental clearance process. So that's in work. Getting it, you know, authorized through the earmarks sort of helps, you know, the more kind of federal fingers you can get on the project and identifying it as a priority is helpful. But it is -- yeah, once VTA completes the federal environmental clearance and submits the application for new starts funding, it is going to take a concerted lobbying effort from variety of stakeholders to actually you know get the commitment of dollars for it. And so it's -- keep our fingers crossed and give it the strong of a push as possible.

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

>> Councilmember Liccardo: You know, following up on that question, because I think it's an important one. I'm speculating here, because I know Councilmember Campos has spoken to a lot of folks in Washington who would have lots of insight about this. But is the part of the problem maybe that there is a tale of two transit projects here when we're talking about BART, and for the quote-unquote federal phase, there's a portion of this line that's much more appealing to federal funding than the other portion. I'm wondering if, is that maybe part of the problem?

>> Hans Larsen: Well, yeah. There are part of the criteria the federal government uses the federal transit administration is cost effectiveness. And what VTA has the entire project has some issues in meeting the federal criteria in cost effectiveness. So what VTA as a strategy has done is looked at a portion of the project that is relatively high in ridership but low in cost. And that's the piece to go from Warm Springs to Berryessa. And so that's the portion of the project in which VTA feels we're -- has the best ability to get federal dollars. So that's sometimes been confused with the phase of the project, we're going to build it but it's really a strategy to get federal dollars. So that's what they call the federally funded segment of the project.

>> Councilmember Liccardo: Thanks, Hans. Quick question about the route 280 pavement maintenance money that CalTrans is getting on 280, I notice that they stop at 880, and perhaps a bit of a bias here, parochial bias, but some of those potholes east of 880 as you get toward 87 and 680, you could lose your car in. And I'm wondering is there any discussion that you've heard from CalTrans, any likelihoods that they're going to get some money to keep going east?

>> Hans Larsen: What I believe the -- there was a project done last year from I think 101 to I think it went past 87. So there -- I believe this continues, the investment on 280, as you go towards I think Lawrence Expressway. But I don't believe --

>> Councilmember Liccardo: You talking going westbound or both directions?

>> Hans Larsen: Both directions, so generally from I believe the previous -- Jim, you --

>> Jim Helmer: Yes, I think those are the approximate boundaries. It was the two-year or so project, there's a lot of concrete grinding and surfacing and smoothing throughout that stretch. So there is not another major project planned in that stretch you just mentioned but there is certainly the opportunity to take care of individual potholes and other pavement failure, so we can bring those forward on individualized basis.

>> Councilmember Liccardo: Okay, thanks Jim. The list of proposed earmarks, was -- at some point did council have some kind of approval of that list, or was there some vetting -- I know we talked about all of those projects at different times. But certainly there's a political process when we're talking about priorities for funding. And forgive me if my memory isn't that clear, but wasn't that taken to council at some point?

>> Hans Larsen: What we have, there is a list that council has accepted that these are our top priorities for regional funding. I think it's anywhere 30 to 40 projects within that. The creation of the earmarks has generally been the selection of the Congress members in terms of which projects that they want to back or support. And so we worked with our federal representatives, and VTA, to basically take the thing -- the list of projects that the council's identified, the VTA has in their 2030-35 plan, we looked at things in termination of projects that meet readiness criteria that there's been sufficient planning and scoping, if a project has environmental clearance, it's certainly a much stronger candidate. So we've taken sort of the priorities that we've had and looked at sort of what meets the criteria and offered up a menu of things and then it's been more through the Congress member's offices in terms of which ones they want to pick. They basically, they need to represent that hey, these are projects that are good, and there's no bridges to nowhere in here, and they feel comfortable posting on their Website.

>> Councilmember Liccardo: Okay. So in terms of council's role, we've approved a large list. Within that smaller list has really been in conversation between staff and the Congressmember's office?

>> Hans Larsen: That's correct.

>> Councilmember Liccardo: Okay, and then finally on Diridon, I agree that that area between Santa Clara and San Fernando really is key. And we've got a lot of public ownership there, I guess JPC, VTA, I think RDA may even have a chunk of that, I know there's some private ownership there as well. To what extent have we rounded up before this good neighbor committee have we rounded up the owners and come to some consensus about, hey, here's how we are going to share revenues and so forth and if we all jump on board with a common vision or plan for development here?

>> Hans Larsen: Well, I think there was an arena Diridon strategic plan developed in 2002 provides sort of a good kind of framework in terms of the planning that we're doing. So this is really taking it to another level of detail. But the process that we have in planning this will really pull together all the stakeholders and really do that effort to coordinate property owners and interest groups and come up with a plan as well as an implementation strategy on how to move forward. And it's correct, as you pointed out, probably, you know, more than -- with acquisition that the BART project is planning to make in the area, that I think more than 75% of the land out there is in public ownership. So between the redevelopment agency, the VTA, and the JPB which the VTA is a party to, a lot of that land is in public ownership, and that allows for I guess you know -- a lot of control in terms of how that area moves forward.

>> Councilmember Liccardo: As long as we all get along.

>> Hans Larsen: As long as we all get along.

>> Councilmember Liccardo: Okay, great, thanks, Hans.

>> Councilmember Campos: None.

>> Councilmember Liccardo: Okay, great, then we'll move on. I think we're jumping up to San Francisco Public Utilities commission water supply agreement.

>> Ed Shikada: Yes, that's correct, Mr. Stufflebean.

>> John Stufflebean: Yes, John Stufflebean, environmental services again. While Mansour is setting up, I guess I'll preview this by saying that this is a long going -- ongoing effort for several years to work out an agreement with SF PUC with all the cities in the area that use this, and we've been -- we've had the great assistance of BAWSCA, who's -- Art Jensen is here if you have any questions with him after the presentation is finished. And I think the outcome has been very much in our favor, especially considering the situation that we're in. And what I'm going to do now is let Mansour take you through the agreement.

>> Mansour Nasser: Thank you, John. Mr. Chair, Councilmember Campos, our presentation today is on the water supply agreement and the water sales contract with San Francisco. A brief description of the difference between the two documents is the water supply agreement is with the 27 agencies that get water from San Francisco, and the water sales contract is with the City of San José. Our recommendation today is for the committee to accept the staff report and refer to the council the following three recommendations. We are asking council to adopt a resolution approving the water supply agreement. We are also asking council to adopt a resolution authorizing the City Manager to negotiate and execute San José's individual water sales contract, and finally we're asking council to adopt a resolution making findings for the purposes of CEQA in connection with approval of the water supply agreement. A brief background, San Francisco provides water to the municipal water system service area in the North San José Alviso area. It is about 14,000 permanent population with dam workers of about 150,000 people that work in that area. Our average usage in that area is about 4.6 million gallons per day. The current agreement expires June 30th of this year, and BAWSCA, as John mentioned, was appointed by the city council to represent us in negotiation with San Francisco. Art Jensen led a team of attorneys, accountants and water supply officials in dealing with San Francisco. The water supply agreement addresses global issues that we'll be talking about in detail. And finally, the San Francisco Public Utilities Commission did approve the agreement on April 28th of this year. This is a map showing the -- all the agencies that get water from San Francisco. Again, there are 27 agencies, and San Francisco provides water supply to about 2.4 million people in the Bay Area. The issues that are addressed in this contract, first, term of the agreement is 25 years up to 2034. It also talks about water supply where the system will be providing up to 265 million gallons per day, 184 million gallons per day is for the agencies that get water from San Francisco. The 81 million gallons per day the difference is for the City of San Francisco. The contract also spells what the water quality should be. San Francisco currently meets all water quality, but it is not existing -- it is not mentioned in the current agreement. In the new agreement it would require San Francisco to meet all state and federal regulations. Also, it commits also water customers to implement water efficiency programs. And it requires San Francisco to complete the water supply improvements project which is a 4.4 million upgrade of Hetch-Hetchy by 2015. And the agreement calls for where the revenue will be used so the -- and Art could answer more on -- we'll be using the cash method for so the debt service, the city and other agencies will be paying for the debt service and will be funding CIP if the CIP is funded from reserves. And it calls for interim supply limitation that will be discussed in the next slide. By 2010, San Francisco is going to be issuing interim supply limitations for all the 27 agencies and they will tell us how much water we can use. Also, San Francisco will determine whether to increase the interim supply allocation by 2018. Now, how are we impacted in San José and Santa Clara? San José and Santa Clara will remain temporary and interruptible customers. We're working at the delivery of up to 9 million gallons per day under the new agreement. We might receive a notice of reduction or interruption if the interim supply limitation is going to be exceeded by 2018. In other words, if the system is going to be going over 265 million gallons per day, or if the agencies that get water from San Francisco will be going over 184 million gallons per day, notice these are a lot of numbers, then they might issue us a notice of interruption. For them to do that, though, they have to complete CEQA process, and it's going to be either five years, or the time which is longer from the time they finish CEQA. So if CEQA is finished within two years, we still have five years, up to five years to be interrupted, or our water supply reduced. And San Francisco is going to decide, by 2018, whether or not to make San José and Santa Clara permanent customers. As far as San José's water sales contract which is individual contract with San José, it only talks about the location where we're going to be getting water from San Francisco, is going to be talk about the area that we're going to be serving water from San Francisco. And the area is bounded by Coyote creek to the East, Guadalupe river to the West, the bay to the north, and timber road to the South. And this is a map showing the area that gets water from San Francisco. Again, it also talks about what -- how much water we will be receiving, along with Santa Clara, and the maximum we -- both cities can receive is up to 9 million gallons per day. And finally, CEQA. San Francisco was the lead agency, and we are requesting council to adopt a resolution relying on San Francisco's action. CEQA is acquired for discretionary actions which includes agreement, and San Francisco performed the analysis within the EIR. The resolution refers to San Francisco's CEQA process, since it

already has been done. So we don't have to do one individually. So again, that concludes our presentation, and we're here to answer any questions.

>> John Stufflebean: And I just would like to add that we acknowledge that it's complicated, water law is complicated. And I do feel very comfortable in our agreement that we've reached both because Mansour and Molly Dent from our attorney's office are both experts in this area and have worked diligently for a long period of time. I definitely want to acknowledge Molly's work on that, it is a lot of legal issues to be dealt with. And it's also why we really appreciate the partnership work of Art Jensen and BAWSCA in terms of getting us what we think is a good agreement for San Jose. We want to answer any questions you have.

>> Councilmember Liccardo: Thanks, John, thanks, Mansour.

>> Councilmember Campos: I guess the only thing -- thank you. The only thing I'd want to say is that I feel much more confident in hearing your last remarks, listening to you outline it, it looks like a good agreement, but it being said when you put your vote in another city's hands, it's a little nerve wracking. Because you really have to be able to trust that all the Ts were crossed and all the I's were dotted, so I could support this going forward and I appreciate that you -- the last comment that you made.

>> Councilmember Liccardo: I just had a quick question about the fact that San José doesn't have a water supply guarantee. Do any of the wholesale customers in the system get a guarantee?

>> John Stufflebean: All of them except San Jose and Santa Clara, and that's because of a decision that was made by San Jose and Santa Clara back in 1980 -- back before that, even, maybe.

>> Molly Dent: That's historic. I mean, San José and Santa Clara have never had a water supply guarantee, and the other users have always had a water supply guarantee.

>> John Stufflebean: Our interest is to change that and one of our goals moving forward. We weren't able to do that in this round, but we have gotten definite positive direction towards the possibility that could happen in the next few years.

>> Councilmember Liccardo: Well, I guess I'm under the perhaps inaccurate assumption that this is our one bite at the apple, if we're negotiating now.

>> Molly Dent: Not, not -- no. I think Mansour described the fact that there will be a decision made by December 31st, 2018. There is another time frame in which they're to make a decision about making Santa Clara and San José noninterruptible, or permanent customers. One of -- I think BAWSCA can probably -- the BAWSCA representative can kind of probably speak to this better than I can. But one of the -- well, circumstances if you will that came into play is this agreement with being negotiate was, the need to come up with a cap on the overall supplies that were being produced out of the Hetch-Hetchy system. And so the -- that kind of ran into the desire to be made a permanent or guaranteed customer right now.

>> Councilmember Liccardo: So the -- and thank you, Molly, for helping me understand the issue of it being uninterruptible is directly linked to the issue of supply guarantee. I now see that. I wasn't seeing that before. So essentially they're hedging so to speak the question of the total number by having flexibility with regard to Santa Clara and San José, is that right? I mean, we're the only variable number in the entire equation.

>> Well, we're the only ones that are -- have an interruptible supply. There are mechanisms in the water supply agreement by which other supplies could be reduced. And again, I think the person from BAWSCA could speak to that. The water supply agreement covers everyone. It does have provisions in it for reductions in supply in the event of water shortages and that sort of thing. So it's not to say that others' water supplies couldn't be reduced. We're the only ones that have an interruptible contract, though.

>> Councilmember Liccardo: Okay, thank you. I'll stop asking questions now. Thank you, Molly. If anyone from the public or from BAWSCA would like to speak now. Thank you.

>> Thank you. Mr. Chair, and members of the council, my name is Art Jensen, CEO of BAWSCA. And I think I would just like to with respect to the last remarks clarify that the limitations that San Francisco imposed was done after years of Planning oops and the years of planning that we went through on San Francisco on their program EIR included the projected needs for all the cities, including San José and Santa Clara. If they'd adopted any of the alternatives that were in the draft PEIR you would have been made a permanent customer. In an effort to get the program EIR through uncontested, and the seismic improvements to the system completed on schedule, they devised the strategy of capping the supply available to all the cities. And that will affect not just San José and Santa Clara but other cities as well that are currently at their supply guarantees, indeed more water. So last October they elected not to implement an alternative that would meet all your needs, but an alternative that would not. The strategy was successful, the PEIR was not contested, which is phenomenal for a water project in the State of California since CEQA has been adopted. The down side is that many city agencies, including your own, will be affected by the decision. So we are committed to solving this problem, working with the valley water district, your agency in San Francisco, and with respect to our future planning on behalf of all the agencies, we're committed to find ways to meet their future needs over which they have decision making authority and not someone else. And then with respect to the comment about trust, I think you're referring to trusting San Francisco that ought the Ts were crossed and I's were dotted, I'm very pleased to say that the copy of the agreement that the San Francisco PUC approved, if you look in the lower right-hand corner has the BAWSCA's attorney's document routing number on it. We crossed the Ts and we dotted the I's.

>> Councilmember Liccardo: Thank you, Mr. Jensen. David.

>> David Wall: Just two questions. First of all, what percentage of municipal water is operating -- what do you rely as far as from Hetch-Hetchy to provide service, water service and two, what happens if the water from Hetch-Hetchy is interrupted completely? Thank you.

>> Councilmember Liccardo: Okay, thanks, David. John, if you'd like to respond now, that's --

>> John Stufflebean: Those are simple questions. We could have brief answers to that.

>> Mansour Nasser: For North San Jose, it's Alviso. Currently, 100% of the supply comes from Hetch-Hetchy. We do have backup supply in the event Hetch-Hetchy goes down for any reason, if even a seismic event we can supply the entire area. We have four walls in the area that can back up the supply.

>> Councilmember Liccardo: Thank you, Mansour. We'll there will be questions on this particularly from Councilmember Chu. We'll send this on its way. Thank you very much for the presentation. Thank you Mr. Jensen. Okay, we're moving on to the storm water permit.

>> Ed Shikada: 3.6, yes, thank you.

>> Councilmember Liccardo: 3.6. Good afternoon.

>> John Stufflebean: I'm going to give just a brief presentation on this, and we wanted to make -- update you on the status of the storm water permit. The main event that's happened is the public hearing was held a couple of weeks ago for the storm water permit and there were, as noted here -- it's not up yet -- that's all right, I can speak to that. There were about 70 speakers. And they supported the general goals of the permit but had concerns about the resources that were necessary to comply with some of the provisions. Now, particularly the board gave -- after the testimony which was nine hours which Melody Tovar stayed the whole time, I was there about three hours, was able to leave. Some of the key concerns expressed were changing the approach on new development, which I won't necessarily get into the details on that, but there's some issues to be worked out on that, and the big issue was trash issue, which the water board, as we all do, wants trash removed from creeks. They put out some goals there that are going to be pretty difficult for us to meet, for everyone to meet with respect to the resources. So at this point we're going to be following the process. They did delay the implementation of the permit, probably won't be implemented until September or so but we're following very carefully and wanted to alert you to the fact that as of the delay and these are the two main issues that are focusing on. Answer any questions that you have.

>> Councilmember Liccardo: Thanks John.

>> Councilmember Campos: I don't have anything.

>> Councilmember Liccardo: All right, well thank you. I imagine it's going to take more than just storm water drain filters to deal with the trash that they have.

>> John Stufflebean: Trash goes beyond the storm system and the resources that you might be able to bring from the storm system are fairly restricted.

>> Councilmember Liccardo: Yeah, thanks John. Move on then to 3.9, private sector green building ordinance.

>> Ed Shikada: Actually, we've got one more 3.7.

>> Councilmember Liccardo: Oh, I'm sorry, Las Plumas, thank you very much.

>> John Stufflebean: Okay, and this is also just a brief presentation on the Las Plumas site.

>> Ed Shikada: Looking for a cell phone.

>> Councilmember Liccardo: It might be my cell phone.

>> It was mine!

>> Councilmember Liccardo: It was not!

>> Ed Shikada: The guilty party will remain nameless. But I did see the action.

>> John Stufflebean: As a reminder, this is a site the City acquired a few years ago, and one of the main reasons we acquired it was to replace the household hazardous waste facility at the central service yard when the central service yard expanded and used that territory -- used that ground. I'm really happy to report we're making good progress on this site. We're dividing it into two phases. Phase 1 deals with mostly exterior improvements, and EIR for this phase was completed in -- and approved in 2007. Design work is -- has been well underway, and we are -- we also received an integrate waste management board grant for that and we also consulted -- selected the construction contractor for that. Phase 2 is the warehouse, the interior work, there's a lot still to be done on this, but we are making progress on that. There's CEQA NEQA issues. The architect selection and award will be coming to council very soon and we're looking at lots of different ways to fund the different improvements that we want to make on phase 2, and we will also be coming forward with the contractor selection. Just a quick overview of the site. The left side is the part that is phase 1 which is all the exterior. You see the traffic comes in the very left side, routes to -- comes around the bottom and then comes under the canopy which is the gray box in the middle, which is where the household hazardous waste and the hazardous materials will be unloaded and processed, and vehicles will exit onto the north. That's the -- and then so all the work around this site, exterior work will be completed in phase 1. Phase 2 then is everything on the right side, which includes the warehouse building, which our intention is to renovate that for many different uses. We're really pleased about some of the innovative ideas that have come forward and will be implemented at this site. This is truly going to become a stormwater showcase for the area including bioretention, modular wetlands, pervious paving materials, porous concrete, structural soils and solar cells and just a wide variety of things, it's going to become a place where people can come from all over. This may be the prime spot in all the country where you can come see all these technologies actually working on a real site. In addition we're looking at other innovative ideas such as solar panels of course and wind turbines and roof gardens and of course we will be looking at using LED street lights to light these grounds. Possible tenants on the building itself of course will -- definitely a tenant will be the household hazardous waste program. Beyond that will be the electronic transportation development center, potentially a building materials reuse area, and environmental and sustainable building entities, and also a community space. And we -- again we're looking for anybody's money to spend. And these are just some of the different opportunities that we have. Obviously ARRA, EPA, Department of Commerce, utility funds, obviously my right hand can fund my left hand on this one, and obviously lease agreements with potential tenants. And in terms of

moving forward, for phase 1, you know, construction contract will be coming in June for the award of phase 1, and the architectural consultant contract also for phase 2 will be coming in June. Our schedule is to complete the groundbreaking for phase 1, opening the household hazardous waste facility in 2010. Phase 2, the design work will continue through the summer construction in the fall of 2010 and build out through spring of 2012, and of course we're doing outreach throughout the entire process. And that concludes the presentation.

>> Councilmember Liccardo: Wonderful, thank you. Okay, for lack of a better term, it looks really cool.

>> John Stufflebean: Really green.

>> Councilmember Liccardo: Yeah. Okay, we're now moving on to the private sector green building ordinance. Welcome, Rena.

>> Ed Shikada: Let's see, I see -- Joe Horwedel had to leave, so who will lead off for staff, Rena?

>> Rena Matthew: Yes, I will. One second as I'm getting this set up here. Good afternoon. My name is Rena Matthew. I'm the Department of Planning, Building, and Code Enforcement's green building planner, and I have the pleasure to you -- of you, I should say, to talk to you about the draft green building ordinance that staff is recommending and proposing for the city council consideration in June. The draft green building ordinance will help the city officially implement Green Vision goal number 4 which is to build and retrofit 50 million square feet of green buildings. This will also facilitate the implementation of other Green Vision goals related to resource management and energy conservation and the reduction and the reduction of greenhouse gases. Staff is recommending that the committee accept the staff report and forward to the full city council on June 23rd the adoption of the green building draft ordinance or I should say the ordinance for new private sector developments in accordance with the adopted green building policy. So to take a step back in time for a few months, the city council adopted the green building policy in October of last year. And the policy included performance standards, as you can see the policy really breaks down projects into two types of categories, tier 1 projects that are small in scale, that are required to submit a green building checklist, and then larger projects which are required to achieve a level of certification by a third party. The green building standards adopted these third party certification standards that are by LEED or Build It Green, and those standards were adopted because they were regionally consistent standards, though they were a language that other cities in our area were using, and that those standards were also recognized by the Home Builders Association, ABAG and the Cities Association. The policy also determined that green building requirements would be brought to the attention of applicants at the planning permit stage so that really there would be full disclosure early on in the process as to what the requirements would be, and that it would facilitate the compliance. It was also envisioned that a green building deposit would facilitate compliance, so that there wouldn't be barriers throughout the development review process, but in the event that a project would have to actually achieve a third party certification standard, those larger projects, that the project would pay for a green building deposit prior to the issuance of a building permit, and that would really encourage compliance as third party certification is required post construction, and that paperwork would be submitted to the city in order to receive the green building deposit back after post construction. So the aspects of the green building ordinance that we're including, for consideration, is the establishment of USGBC and Build It Green as the mandatory green building standards for the City of San José. Its also codifies exemptions and appeal processes so that projects that somehow can't meet third party certification standards because of minimum prerequisites not being able to be met that those projects would be deemed exempt and that there would be a process for individuals to appeal if they were somehow dissatisfied with the director of planning's position on a particular project. The ordinance will also establish the green building deposit, the rate that's being proposed is 30 cents a gross square foot. It includes implementation guidelines, so that projects that are fairly complex involving multiple buildings and different phases, those guidelines are also included within the ordinance as to how projects would be dealt with. There are also pipeline provisions that are included in the process and there is an analysis of cost implication that are actually required by the California energy commission whenever a local government adopts a standard that is more stringent than title 24 which is the state energy code. So in addition to the 15 outreach meetings that were done with the formation of the policy, there were seven additional meetings that were done through the formation of this ordinance. And so we received a pretty substantial feedback, some of the comments were actually echoed through policy development. There were similar comments that came up through the policy discussion. And to the extent that the comments actually facilitated the smooth implementation of the ordinance, those comments were able to be addressed in the ordinance as staff

has drafted it. In the event that those comments actually conflicted with the adopted policy, we actually did not incorporate those comments within the ordinance and we actually have an opportunity today to talk to you about two alternatives that staff is recommending a certain course of action yet we heard different voices through our outreach process on. So just going very quickly through the comments that we received. Received a comment from a variety of individuals that there was a desire to have an alternative means of compliance to third party certification. So not just allowing projects to go to third LEED or Build It Green but to develop some sort of city standard. There is also a concern that some projects wouldn't be able to achieve third party certification, and criteria for exemption was actually incorporated into the ordinance. There was a concern that the checklist really should be submitted at a more timely point in the building permit process and that also is incorporated within our ordinance. The -- there was concerns that certification standards should be equal, regardless of the type or the scope of the project, and that did conflict with our adopted policy and so that was not included within the ordinance. There were concerns about multiple projects and phases, and that -- those concerns were addressed with the ordinance, and the appeal process, there was an interest of course in an appeal process, and a process for extensions of any refunds, and those mechanics are included in the ordinance. There were concerns that the deposit that was being proposed was too low to act as a real deterrent for compliance or noncompliance. There was also an interest in having the deposit being collected later, at a later date rather than just at the buildings permit stage, but at the certification of occupancy stage. There was also really an interest in the acknowledgment that the cost of third party certification is a substantial cost and that building green is substantial, and so really, the development community in particular wanted an acknowledgment of that. So staff has two ordinance alternatives that were provided in the staff report. And we would like to use the opportunity with the committee to just go through these two alternatives. Staff has a proposed recommendation in the particularities of this alternative. Staff is not proposing an alternate form compliance in addition to third party certification. However, that was an issue that was raised through the comment, and the public outreach, and so really we wanted to weigh with the committee the pros and cons of that alternative. So the pro of including an alternate form of compliance, so that a city-specific, City of San José-specific compliance that would not involve a third party verification group, such as LEED or Build It Green. Some of the positive aspects of that is that the applicant would not have to interact with any other verification body other the city that would facilitate things for the developer. Also, a positive aspect would be that there would be no cost that the project would pay to LEED or Build It Green, and that LEED is a national standard, and as a result, it has energy requirements that are not related to California energy requirements. And so whenever a LEED certification is required, that means that projects have to actually submit two energy reports. And so there is a concern that there would be additional costs as well as just an additional hurdle to achieve LEED certification. Now, some of the cons, of course, with incorporating an alternate form of compliance is that it doesn't allow for these regional recognized standards, that we would be providing a new, unique set of standards that individuals would have to familiarize themselves with and would possibly create hurdles in communication in discussing these issues with our development community in the future. There would also be a cost that's most likely going to be higher than USGBC and Build It Green in order for the city to provide peer review and city review of the reports. So in the event that the city is actually being asked to do the actual verification, it is most likely that the cost of that service would be much higher than USGBC's and Build It Green's cost currently. There is also an issue with the fact that the process of the city verifying these unique standards would actually be more time consuming than submitting a more standardized and much more streamlined process that these third party verification groups have. Another, or alternative, that staff is asking feedback on, is there was a request to delay the green building deposit payment at the certificate of occupancy stage. And that stage is post construction, after the building is built, essentially right before occupancy. Typically fees are collected by the city at the building permit issuance stage. And so a pro of allowing for a delayed payment of this deposit at the certificate of occupancy stage is that it really saves months for the applicant so that they don't have to forgo a carrying cost of the deposit for those several months between the building permit issuance and the construction of the project. Now, there are some cons with that, which is that the city doesn't typically collect fees at that time. And as a result, there will probably be some greater need for intense coordination, and that fees aren't usually collected on the site at site when certificate of occupancies are issued, and so there will be really a sensitive issue related to providing that coordination and then really making sure that it happens you know really with all the ducks aligned in a row, and that really the result may be that there are actual delays with the certificate of occupancy which is normally considered a very critical time point for a project so they can actually move tenants in. And so that would be an adverse consequence of being able to move that deposit. So just to summarize, the next steps, staff is asking that the committee put on the June 23rd council agenda the consideration of the ordinance, and that that will allow us after the completion of the adoption of the ordinance, to begin our outreach related to renovations and retrofits of existing buildings. And we begin that outreach in the late

part of this summer. And that we intend to revisit the adopted policy and the ordinance in mid 2011 so that we can reevaluate how things are going. And that concludes the staff report.

>> Councilmember Liccardo: Thanks, Rena. Councilmember Campos.

>> Councilmember Campos: Thank you, chair. I think you answered my question but I just want to revisit it again. I think you mentioned that it would be more costly for us to have the certification in-house, is that what I heard? Done by a third party?

>> Yes, it would be more costly. We've done some rough numbers. We actually had San Jose State business students kind of look at this model for us. And we -- you know, if this was pursued we probably could refine those numbers more. But just the amount of time that it would take for the city, and the cost reality of city staff working on something like this, would be higher than U.S. GBC or Build It Green.

>> Councilmember Campos: And what is their cost? Is it the 3 cents I think you said or --

>> It actually varies depending on the scope of the projects. If you hold on a second, actually the slide that clearly shows what those numbers are. So the LEED fees are at the bottom. And it really -- they vary based on if scope of the project. So less than 50,000 square foot project, the certification fee would be \$2200. And then a project that was more than 500,000 square feet would be almost \$18,000. For Build It Green they have a less costly process. So they have between 1500 to \$2300 per residential unit and then for multifamily projects it would be \$4600 to under \$7,000.

>> Councilmember Campos: Okay, thank you.

>> Councilmember Liccardo: Thanks. Thank you, Rena. Actually that's the first time I've really gotten the sense of what the fees really are. I know this has been an issue that's been debated a lot whenever it's come up. And obviously I've been (inaudible) about it myself. You incorporated business school students to really evaluate, that's great. The question I had was, when you were coming up with the recommendation, did you also consider the possible of simply identifying, say, I don't know, four or five proxy elements that would be relatively easy to verify, but would be proxies for a fairly green development based on what we know about the impact of those elements for instance if, you know, we knew there was X amount of solar ton building that energy consumption would be much lower and that would be enough for us to certify it. Have we considered that kind of option?

>> Staff actually did spend some time looking at a similar option in which particular more obvious features like native plants possibly being planted or solar photovoltaics being installed, incorporated to see if maybe that system would be a more easily verifiable system as an alternate means. But really, staff didn't propose such a -- this is something that we could consider, develop, if that was the request of the council. But it would be hard to claim that a building was truly green if just one or two aspects were included. And so about Build It Green and LEED have much more comprehensive systems. And so that is definitely preferred but staff did look at those kinds of scenarios.

>> Councilmember Liccardo: Okay, thanks. Are there any questions or comments from the public? Okay, with that, thank you very much.

>> Ed Shikada: This item will be slightly off schedule. Where the other referrals would go on the 16th, I believe, this would go forward to full council on the 23rd.

>> Councilmember Liccardo: Okay.

>> Ed Shikada: I think I've got that correct.

>> Councilmember Liccardo: We're sending a lot to council.

>> Councilmember Campos: We are.

>> Councilmember Liccardo: Okay, great. So I guess we have time now for public comment. David, come open up.

>> David Wall: This text concerns itself with all costs incurred to date, and to resolution. Concerning the environmental services buildings located at 4245 Zanker road, I believe that all costs should not be passed through to the taxpayers within the tributary agencies. The San José portion should pay for this complete problem in its entirety. Be it from negligent management or incompetent management, as the case may be, the City of San José should bear the entire cost of this debacle. Furthermore I believe it to be very respectful if this committee be afforded the necessary online or ongoing reports as to the initial date of the problem, and the costs accumulated to date, and the projected cost to resolution of this horrible problem at this building. Thank you.

>> Councilmember Liccardo: Thanks, David. Anyone else from the public like to speak? Okay, I see no hands. With that, we'll adjourn.

>> Councilmember Campos: Thank you.