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>> Mayor Reed: We have a quorum so let's call the meeting to order. I understand there's no labor update and there's no public comment so we're going to adjourn into closed session. Be back here at 1:30.

>> Mayor Reed: (gavel strike) Good afternoon. I'd like to call the San José city council meeting to order for April 3rd, 2012. We'll start with the invocation. Councilmember Chu will introduce the invocators which are probably some sort of an orchestra, I'm just guessing.

>> Councilmember Chu: Thank you, mayor. I'm believe to have Piedmont middle school advance orchestra here for the invocation. Piedmont middle school has been serving residents of District 4 since 1959, with an enduring standard to educate and inspire students to embrace the goal of higher education and to become outstanding citizens in our community. Fremont middle school is the oldest public middle school in District 4. And their music program has been intact since it opened over 50 years ago. They attended local festivals throughout the Bay Area such as the Berryessa art and wine festival, which is a community fundraising event for the music program at Berryessa school. On April 4th, 2012, they will participate in the annual Berryessa district orchestra concert at the Berryessa youth center at 7:00 p.m. tomorrow night. I would like to extend this invitation to everyone here today to support Piedmont middle school music programs. Today, the advance orchestra will be led by Susan Shadak Chase and they will be performing dance of the Harlequins by Larry Clark. And also join us is their principal, Steve Hanz. Steve. Thank you very much for coming and many of their volunteer parents to drive them over here. So please join me in welcoming Piedmont middle school advanced orchestra. [∂music∂] [applause]

>> Mayor Reed: Thank you. If you'll all just stay in place and turn this way, we're going to do the pledge of allegiance. We're going to be assisted by some third graders from Payne elementary in district 1. [pledge of allegiance]

>> Mayor Reed: Third graders always win. Thank you very much. Now we'll let the orchestra have a chance to exit the stage. Our first item of business are the orders of the day. I have one additional change, we need to drop item 3.3, regarding the housing opportunity trust fund act at the request of staff to be brought back to us at a later time. Any additional changes to the agenda? Motion is to approve the orders of the day. All in favor, opposed, none opposed, that's approved. Closed session report City Attorney.

>> City Attorney Doyle: There is no report.

>> Mayor Reed: We'll turn to the ceremonial items. Alike to invite Councilmember Chu and Kim trang Nguyen to join me at the podium. Today we're commending Kim trang Nguyen for her many years of service to the City of San José. Councilmember Chu has the details.

>> Councilmember Chu: Thank you, mayor. I'd like to thank my colleagues and the mayor in joining me to recognize Kim trang Nguyen. Here with her are her three beautiful children and father, sitting in the audience there, employees and many friends, and her family members. Many know Kim as a successful business owner of high tech dental care. The thriving leading business that has provided thousands of low-income patients with high-quality affordable dental care. I want to speak about Kim's and her contributions. As a working mother, and former refugee, Kim has donated her time and money to many local nonprofit community organizations and national disasters such as the Katrina, the earthquake and Japan tsunami and earthquake. Also the Vietnamese flood and many, many others. In San José, Kim has given over 3,000 gifts to the low-income children and family as part of the Asian American center of Santa Clara County's holiday toy drive. In 2011, Kim was the grand marshal for the Vietnamese downtown spring festival parade which drew an estimated crowd of over 50,000 people to this premier culture event. As a major contributor, she has gone beyond others to give back to our community. I commend Kim for her outstanding achievement, continuing effort, and dedicated to preserving and enhancing the cultural diversity in our community. The City of San José is fortunate to have Kim, motivated and humble, whose inspiration is to help others. Now, here today to accepting the commendation, with Kim with her children, Ashley, and Whitney, and Brandon. So mayor, could you please do the honors presenting the commendation to Kim.

>> Thank you, mayor. Thank you all who come today. Dear mayor, and councilmember, I am deeply honored and humbled to receive this recognition today. I would like to extend my sincere appreciation for your recognition. Please give me this ability for thanking America for let giving me and my family the freedom and democracy to my community for always supporting my work and my family, for allowing me to do what I love to do best. I also want to thank you all, the dentist independent doctor and the high tech dental staff, and all the business that I run is cosmetic and on the radio, for their supporting. And last but not least, I am thank you for all

my friends, and of you, the television, the radio, the magazine, our friends that come here today, to support me and thank you again. I appreciate your coming. [applause]

>> I also forgot to thank you, my dad and my sister had come today, thank you so much. [applause]

>> Mayor Reed: Now I'd like to invite Councilmember Pyle and chief Morales of the early care and education commission his son Jack to join us at the podium. We recognize the month of April as the month of the young child in the City of San José.

>> Councilmember Pyle: Thank you, mayor. Here is Keith, his mom and his -- Jackson, and his dad Keith and his mom. Every April the month of the young child is celebrated nationally to raise awareness of the social, motion and educational needs of young children and to show appreciation for parents, early childhood professionals and others involved in their education and care. An estimated 40% of students in San José are not proficient in their grade level skills. Particularly reading skills. And the best interventions begin before kindergarten. All young children, and their families across the country and in San José, deserve access to high-quality early care and education, to support young children's development. The 2012 San José children's fair on April 21st with the theme of rock, roll and read, focuses on supporting the parent as their child's primary teacher and the event provides fun activities and valuable information for families caregivers and early educators, now therefore we do hereby proclaim April of 2012 as the month of the young child and encourage all citizens to invest in the young children of San José. Mayor Reed, if you could do the honors to present the plaque to Keith Jackson and his mom. [applause]

>> So on behalf of the children, our young children in San José I want to thank Mayor Reed, councilmembers Don Rocha and Nancy Pyle who today who we have a few pictures for. That Jackson had wanted to give to them and present to them. And also, to the other councilmembers who provide so much support to us, as early care professionals and regular parents, that need so many of the resources and support to raise our children in the health and wellness manner. I think it's really important that we continue providing the support and resources back to our leadership so that we can enhance the opportunities for all the children in San José. I think it's very

fortunate that we have a council and a leadership here that recognizes the importance of our early childhood. And I want to just make sure that we on our end are doing what we need to do to ensure the children our neighbors our parents and our grandparents contribute to the lives as well. So we thank all of you here in the stands today that are recognizing this with us as well today. Thanks everyone. Jackson will tell us the pictures that he has and he also probably wants to say a few words himself. Would you like to say anything Jack?

>> Thank you for -- to keep the essays. , take care.

>> What's the picture you made here?

>> I guess the rainbow.

>> The rainbow. And which one did you give the mayor?

>> The piano.

>> So he's very abstract with his arts and he's very fortunate to be able to give these and contribute back to our leadership here. Thank you all.

>> Councilmember Pyle: Thank you, thank you very much. We didn't get a picture yet. Jackson we have to get a picture.

>> Mayor Reed: I'll take up the consent calendar. The requests to speak on the consent calendar. We'll take those first, Mr. Wall.

>> Good afternoon, Your Honors and assembly people in the gallery. I will talk about the Rules Committee, also will integrate with transportation and environment committee. The specific topic will be the South Bay water recycling project. Now, most people don't realize, that for many years, since 1992, this project has been funded

from property taxes under the sewer service and use charge. The sewer service and use charge is governed by proposition 218. The language contained in the sewer service and use charge does not make it applicable to use this funding for the reclaimed water project, insofar as environmental groups threaten to sue the city for flow going to the bay that was going to disturb and destroy the habitats for the salt marsh harvest mouse, the California clapper rail, and the pickle weed. Before -- as the project got underway in the '90s it was found that this threat to the Hap habitats was not real. But the project continues to this day spending hundreds of millions of dollars from taxpayers' moneys for this reclaimed water project. However you view it, the project itself, has been a failure. It operates at a loss of millions of dollars a year. What interest has it been of late? Not only has this citizen been warning elected officials for approximately 20 years about this issue, misusing the sewer service and use charge, now the Cupertino sanitary district and lately the city of Milpitas no longer want to pay for the expansion, but the Cupertino sanitary district, they don't want to pay a penny for the project. The same argument could be applied to every property owner in San José. Thank you.

>> Mayor Reed: On the consent calendar, any items to be pulled? Councilmember Rocha.

>> Councilmember Rocha: Item 2.10 please.

>> Mayor Reed: 2.10 is regarding the operation of the senior nutrition program. Any others the council would like to pull for discussion? Motion is to approve the balance of the consent calendar. All in favor? Opposed, none opposed, that approves everything except 2.10. Agreement with compass group for the operation of senior nutrition program at designated community centers. Councilmember Rocha did you want to speak to that one, 2.10?

>> Councilmember Rocha: Thank you, mayor. I had drafted a memo with my colleague Councilwoman Nancy Pyle and an additional one with Councilmember Constant and Councilmember Herrera. I did have a question for staff and here comes Julie. Hello.

>> Hello.

>> Councilmember Rocha: Some of the intent here for me is about performance and measuring performance. My concern is that I'm one, hearing some feedback from seniors about their -- well, their feelings about the program. Regardless whether they're positive or negative I just felt in the direction that we're looking at here there wasn't an opportunity for maybe take a look at how the performance has been. So my interest was seeing a report back to the neighborhood services committee. Is that something you can do within the confines of the direction here?

>> Julie Edmonds Mada. They have been operating for actually only five admonition now. They started working with us in November. They're a great partner and we share this relationship of delivering a program in a quality manner while stilling the \$600,000 General Fund savings we forecast and we have been able to achieve. And so we have had some transition issues, and we have been partnering on how to address those transition issues. We do do regular performance reporting. We've actually even done some focus groups already, and we'll be implementing some changes in the next couple of months. So absolutely, we could talk -- we have information on participation, we have information on feedback from users in terms of quality and other types of service information. So we could definite report back to the NSE committee.

>> Councilmember Rocha: As far as time line are you comfortable with four months, or what's the timeline that you think, and not only just about in terms of what your ability is, but when you think a good time to take a look at the performance. I trust your input on when you think we should be taking a look at this.

>> Julie Edmonds-Mares: That would be terrific. I really think a fall timeframe would be a little more realistic. As I mentioned, our partner, and that's Compass Group U.S.A, we refer to them as Bateman, the Bateman division. They've been operating with us just five months. We've come up with some implementation changes for May. We haven't even had a chance to put them in place yet. There's also a county wide survey for all participants in the senior nutrition program. That survey data is just being collected by the county and we'll have that information in the next couple of months. So having all that information, a ten-month performance track record would probably I think lend to a better result or an evaluation.

>> Councilmember Rocha: That's where I was actually going to go next and that's the conversation that my staff had with your staff. That's a great point having their inclusion in this so we can take an overall look at the performance. I recognize there's always going to be transition issues with this new service model and a new company providing the service. But I would hope that we're going to take a step back at a certain point when we do have that time and if the direction we're going is, the service may not be what the customers like, and the amount of customers are having a decreasing, then we -- it's incumbent upon I believe as council and staff to take a look and maybe reconsider. But that's so far down the road and that may change and we may see a whole differently direction. But that again was the end game that I was looking for, for us to have at least the ability to look at this. As far as the contract terms and extensions can you refresh my themmary what we're looking at timing wise? I know we were existing without a contract for a while back last year.

>> Bateman was the service provider for the City of San José prior to, in prior time frame, they were servicing just meals at Alviso, so we had a service extension through a PO that brought us through November. This is a process through a competitive process for RFI that was performed in the fall. This is a three year contract with renewals but there's also a 30 day evaluation clause as with all city contracts but it's on both sides. It's both sides of the parties can execute that. So with 30 day notice there is an exit clause. We'll absolutely be evaluating performance and would look forward to the opportunity to reporting back. Bateman's a great partner and they've been very responsive in to trying to be as efficient and effective in this program as possible.

>> Councilmember Rocha: So some of the measurements and criteria listed in my memo and the memo of my colleagues you think those are valuable?

>> Absolutely. Participation feedback on service quality, those kinds of performance measures.

>> Councilmember Rocha: You're comfortable using those as performance metrics?

>> Yes.

>> Councilmember Rocha: Thank you. I'd like to move approval of the recommendation from staff, with the inclusion of the memo from myself and Councilmember Pyle, and I'd also like to include the memo from my colleagues Councilmember Herrera and Constant and I'd also like the opportunity to hear some feed backs from my colleagues if you don't mind.

>> Second.

>> Mayor Reed: We have a motion on the floor. Starting with feedback from colleagues, I'll start with Councilmember Herrera.

>> Councilmember Herrera: Thank you. I'm happy to join with Councilmember Rocha, very thoughtful memo and covered a lot more detail. My concern is what I've been hearing from the senior advisory committee out at Evergreen community center. Is and I think our customers don't -- and they are customers, coming and participating in this food program. I think it's good to hear from them because they are the ones that are going to purchase these meals. And as Councilmember Rocha just pointed out, if they don't and we start seeing a decline, some of the comments that have been made by folks from our center is that is there an intention to actually eliminate the program? If we're sort of demarketing it by not having people satisfied? So I just -- I just want to bring the message from the community from the seniors. Because they've taken a lot of time into writing some of their concerns. One of the things I think that they brought forward was, and I'm going to get specific because I think it's important. They're saying there's too much rice in the meal and that that's a problem for diabetics that come. So I think there is a nutritionist that's part of this program. So I think they need to take a look at the kind of meals they are actually serving. And again their claim is that a lot of the food is discarded. So I think that you know, if we can take a look at how much of the food is going into the garbage can, that is certainly not something any of us want to see. I think that's worth looking at. Because ultimately the food's got to be tasty and they're just saying there's a huge difference between what they're eating now and what they were eating when the city performed the service at the center. I know it's saving \$600,000. I'm all for saving money but the service has to be there too. So I had a couple of questions. In looking at the budget for this, the city is contributing \$550,000, is that

right, to the contract? I know we're paying the county's portion, they reimburse us but our portion ultimately is 550?

>> Yes, the City's portion is \$550,000, yes.

>> Councilmember Herrera: So the direct portion of that, that actually goes to meals is \$275,467, or thereabouts, is that right?

>> Julie Edmonds-Mares: I'd have to double-check on that.

>> Councilmember Herrera: Just doing some quick math, I came up with -- the other half is what I wanted to understand. So, the other half, it's almost 50-50. \$274,533, what does that go to? Where does the other half of that go?

>> Julie Edmonds-Mares: This entire program, this is a three year contract, so the \$900,000 --

>> Councilmember Herrera: Right, but I'm looking at our portion, so we're seeing 550,000. It looks like it was delineating, that 275,000 of it was the direct portion. What's the other half then? I just want to make sure I'm understanding what we're paying for.

>> Julie Edmonds-Mares: Acting deputy director Suzanne Wolf is going to give me help with that detail and I'd also like to speak to customer feedback. You're absolutely correct, it's vital for us. That's why we held the focus groups in February. In total 550 participants gave us feedback on the service quality. We are going to be implementing as I mentioned before some changes in May so we are going to have enhancements like more salads available. Participants will have alternatives available, such as vegetarian items, if they so choose, and also a sandwich option. We're looking forward to implementing those alternatives as a service option.

>> Councilmember Herrera: One more detail, they were ugh suggesting that stir frying anything, baked fish, chicken hasn't been a favorite so they need to maybe up their skills on that.

>> Julie Edmonds-Mares: That's good feedback, and we are following county nutrition guidelines, and we will continue to work through those issues, absolutely.

>> Councilmember Herrera: They did say that roast beef, lasagna and roast pork were acceptable. So I will say the good stuff, too.

>> Julie Edmonds-Mares: Okay, good, good feedback.

>> We have appreciated our senior feedback. It has been very helpful as we move forward. Again, this is Suzanne Wolf, deputy director for Parks, Recreation, and Neighborhood Services. The \$275,000 represents the eight-month contribution towards the \$550,000 in the contract.

>> Councilmember Herrera: Okay.

>> So that's -- the portion of that is the \$275,000 for this year's contract.

>> Councilmember Herrera: And the other half is for another year, then?

>> Correct. The 550 is the complete year for next year.

>> Councilmember Herrera: Just wanted to make sure there was not other overhead costs in there. So I just want to say again, it might seem quaint, or we laugh a little bit about the comments from the seniors. It's very serious. So when seniors go to these nutrition programs, they're not just eating a meal. They're also socializing. It is the highlight of many of their day for a senior coming there it's for serious and for many of them it's the only nutrition that they get. I take it seriously. I take their feedback, I think it's serious. I would like to be able to submit

the reports here from Evergreen community center, from the senior nutrition, the senior advisory council for feedback. I'd like to forward this on to you for your consideration for whoever is going to be looking at this to make sure their feedback is taken into account.

>> Absolutely, thank you.

>> Councilmember Herrera: I don't want to let this go by without saying how much I do appreciate Councilmember Constant's very hard work and staff's work in putting this together as an alternative. Because we were faced with losing it. In the face of losing it I feel this is a good alternative. Even the seniors in this report are not saying they want to see this phased out, they want to improve it. So I think that's where we go. If we get to a point where we can't improve it, then I think we can't do that, then we need to look at -- we need to revisit what we're doing here. But let's see what we can do to improve it. And I will support the motion.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thanks. Don, I wanted to ask you a clarification. In your memo it mentions bringing it to May NSE and then there was the discussion in fall. Does -- the motion contemplates the staff input in doing it in fall, or is it to stick to this?

>> Councilmember Rocha: Yes. No, thank you for pointing that out.

>> Councilmember Constant: Okay, thank you. So I just wanted to speak very briefly. I'm happy that we're able to save the senior nutrition program. I know with all the services that we have, whether they're insourced or outsourced we can always work to improve them. And I'm just thankful that we have the opportunity to still be talking about senior nutrition. So I'll leave it at that because I know other people want to speak and I want to thank several folks you know who you are out there, I see you, you all worked with me on the senior nutrition task force. Thank you for the work and we're just going to keep working to get this smooth out. Thanks.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor, I will support the motion, appreciate the specificity of some of the requests and feedback in the fall sounds more appropriate especially in we have to work with the county and it's a much broader program than simply the city centers. But you know I think that this is again, another cautionary tale. About outsourcing and what the results are. And saving the senior nutrition program which I have been 100% in favor of but at what cost? I understand the transition period issues, and I have gotten a lot of feedback from the seniors at Southside. They now indicate service of 99 meals a day and it used to be a lot more than that. And I know seniors that used to go to Southside that don't go there anymore. And so with the feedback we're not capturing those seniors that have decided not to come anymore. Because they don't find it as appealing as it used to be. So the seniors definitely don't want the nutrition program to go away but for the most part they want it back to the way it was before. Can we do that? Maybe not. But it does demonstrate a concern when I think that we understate the impact that going away from the city staff that are cooking onsite to an outsourced that is brought into most of the centers, the impact that has. And it's had a real impact. It's not -- again, I'm really looking forward to the survey so we can have a more scientific, I guess can you say, data as opposed to anecdotal data. But it sounds like a number of us have been hearing a lot of the concerns. So I don't think it should be sugar coated. I think we should certainly you know hold Bateman to what they said they could deliver. So I appreciate the fact that there will be some changes made. It seems reflective of some of the issues that come up. So it's a good thing and we continue to move in that direction. The authorization it indicates for the term ending June 30th, 2012. And so this is to -- is this to extend it beyond that, then, for the next fiscal year or is it just for the rest of this term?

>> Julie Edmonds-Mares: Councilmember, the staff memo is to recommend recommend the amount of \$930,000, which is a three-year contract. It is true that one of the blue memos indicates a June 30th time frame but the staff recommendation was to authorize three years.

>> Councilmember Kalra: And so what's -- if I can ask Councilmember Rocha, then, what's the understand being of the contemplation with the motion on the table?

>> Councilmember Rocha: Through a conversation with PRNS staff we thought it was probably more appropriate given the out clause as mentioned just to continue the contract as recommended by staff and through the committee process or another council process if we feel different then we can modify it then. Is that accurate?

>> Julie Edmonds-Mares: Yes, sir.

>> Councilmember Kalra: It's another, I appreciate that thank you. It's another example of where we get these long term contracts without even having all the information on how the performance is going. And so I think it's backwards but because we do have the out in the clause that allows us to bring it back, I think we should look at the feedback the seniors are giving us and feel part of the problem to exercise the clause, we need to go to the cost of it. My concern is the cost of exercising the clause will deter us even though the performance isn't up to par. So I would urge my council colleagues to really take very seriously the concerns or the feedback we get from the seniors. And the full presentation in the fall. And to do your own research in your own community centers and reach out to your own seniors and do this due -- so we can have a full understanding of how Bateman's doing and I sincerely hope that with the discussions and with the changes made that everything improves and everything can be fine and we can stay with the three-year. But I want to make sure that everyone -- I just hope that everyone feels comfortable with the idea that we can exercise that clause. Because all those clauses are in there, they very rarely are exercised especially when it comes to having to add more cost in order to exercise some of those costs. Thanks.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I too will be supporting the motion. And I want to echo the comments that Councilmember Kalra made with regard to the Southside seniors. They are very similar to the feedback I get from the Mayfair folks. And also in my past having worked with an adult day care program walking through the dining room you know the comments are real. A lot of times that is their one square full square meal that they're going to have in the day. So I guess my question to Julie would be, regarding -- I know you talked about having focus groups. Are you also doing surveys? Because focus groups could be five people or ten

people. But if you have a survey you have the ability to get feedback from everyone that shows up on that particularly day.

>> Julie Edmonds-Mares: Absolutely, we're doing both. In February we held focus groups. We held them at over half a dozen centers and we had 105 participants, got a lot of good feedback and we're incorporating some changes. We are also simultaneously doing a county wide survey which is a written survey to get ought participants' feedback. We will be utilizing both mechanisms to improve the program.

>> Councilmember Campos: Okay. And one of the expectations that I would like to see as an outcome is that culturally competent menus are also provided. At Mayfair a lot of Latino seniors are there and they're expecting something completely different than perhaps a sandwich or you know, or whatever. And so I think that helps the senior make a decision of whether or not they're going to make their way out to the senior center. The other one and thank you, Councilmember Herrera for reminding me of this, is that not only is the meal one of the catalysts that will bring a senior to the center because you know, they're there to socialize. But as we go through our budgeting process, if a senior can't get there, then, you know, they're not going to participate in the meal program. So that's why transportation for seniors to our senior centers really needs to be looked at and taken seriously as we go through budgets. So those are my comments. Thank you.

>> Mayor Reed: Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you. It's good to be back. I just wanted to thank my councilmembers for the memos and for the direction. I just wanted to share briefly some of the comments and feedback that I've also heard from seniors at the Alma community center as well as the Seven Trees. And it's very similar to what has been expressed by my colleagues. I think when we were smiling and laughing, when Councilmember Herrera was speaking about some of the feedback she had received, we were pretty much in agreement with what she had received. We were like yeah, seniors are one of the most opinionated populations, they tell you what's on their mind. You don't really have a chance but to sit there and listen. I think getting this feedback from them is just

really important. I just want to echo my support for that and as we move forward, you know I think the surveyless and the feedback and all that good stuff will really help prepare a good program for them, thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed. The feedback I have received is people were happy that the program is there. So in the reality, when faced with the amount of cuts that we did, when we are laying off police officers and all the amount of other stuff, the fact that we could actually keep the program has been the number one. On the other side of the fence everyone has different preferences in food. Just try to eat at your own home and figure that out on what you're going to cook and put on the meal for your own family. I do know by attending actual meetings that Councilmember Constant chaired, there was this discussion of culturally -- certain cultural foods versus other foods, and we know that part of the thing of delivering food to the seniors at a cost we could afford was the fact that we were trying to mainstream the food and also provide a nutritional factor there. It will never be perfect nor will a menu at TGI Friday's or anywhere else you go. I'm just happy we have a plan in place.

>> Mayor Reed: I'm going to support the program. Obviously going to have to work out some things. But remember last year we had a \$100 million gap we had to close, we laid many people off and this is one of many programs that we didn't want to cut in any way but we did because it was necessary to balance the budget. So the fact that we can bring back and keep the program going is really important. Obviously there's some work we'll do to try to improve it. We've already had discussions about increasing the program in this year's budget. It's an important program but with the \$100 million gap last year we didn't have a lot of alternative choices. Councilmember Rocha.

>> Councilmember Rocha: Thank you. Two more follow-ups if you don't mind. Councilmember Herrera raised a great point in reminding me about feedback and input and the senior commission how that group was incorporated into this process. I know Councilmember Constant was a participant in that early process but what about going forward, do you see a role there at all?

>> Thank you, councilmember. Yes we have been back to the commission to give updates on the nutrition program. We'll continue to do that with our commissioners as that's been an important asset for us to get feedback from a variety of methodologies. And I just did also want to note a third methodology we had to get feedback from customers are comment cards at the site that go to Bateman directly. Some particular for culturally sensitive foods and being thoughtful for the needs of each center. We have been able to get feedback from Bateman on a day-to-day basis in addition to the county survey and in addition to the focus groups that we've held.

>> Councilmember Rocha: Okay. Forgive me if I missed it but in terms of senior commission or input, mention you have discussed this with them, is there any included in the staff report about some comments from them? I don't recall seeing anything that I know just large agenda.

>> We did not include it in the staff report but again we continue to have that conversation with them about feedback that they've heard at the senior commission meetings.

>> Councilmember Rocha: It is weird to be a 43-year-old talking about the old days but I'm going to talk about the old days again and I'm going to raise the issue again at the West Side airport development and that's input from the commissions. Not only going there and Linning and leaving but including that in the staff reports that the council hears so we get a sense of what our commission and resident and liaisons feel about some of the work we're doing. Because otherwise it's up to the liaison to feedback to the council or our staff folks to go. But I think it's also helpful to hear from the commission as part of the report as well. I have a question about specific process and that's the meal. And it's my understanding that they provide a certain amount of meals, they being Bateman depending on RSVPs folks who have reserved a seat or said they're coming. That's the only amount of meals they provide. So if there's a drop in those folks generally get a frozen meal that's pulled from the freezer and heated up in the microwave, is that correct? As part of the subcontract there any way to include a requirement for them to provide two or three additional meals or four meals, as part of the meals that they provide or bring? I

mean, I can't imagine two more meals would be a significant cost, but again, I might be naive about this. I would hope we'd be able to negotiate something like that in there.

>> Julie Edmonds-Mares: Councilmember that is something we can look into. It is managed to the unit number. As you mentioned we have frozen meals on site. Without a reservation we use the frozen meal and make that available. We could explore the cost that would be required to have the additional meals a certain number across the 14 sites.

>> Councilmember Rocha: Okay, maybe we can start with two and go to four or whatever and at least get a cost estimate, that would be very helpful to me, especially as we move to committee and report as well. I don't know -- I don't want to suggest that because again we don't know. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. I really agree with a lot of the sentiments that have been expressed in both of the most recent two by Councilmember Rocha. You know at VTA we routinely incorporate the commission findings within a few sentences or even paragraph, in the full reports to the full board. And I know we don't have a practice of doing that here but you know I know when we take up this issue about the commission is which I know will be coming up in a few weeks I hope we can visit that very issue because I think it's really importantly for us to have that kind of feedback at least in summary form to understand how our commissions are weighing in on these issues. And secondly I agree that we ought to be making room and Bateman ought to be making room for drop ins. These are seniors that may or may not have good access to how to reserve and there may be all kinds of issues that prevent them from doing it and I think it makes sense to allow them to do that. The one question I had about Bateman staff. My understanding is a significant number of former city staff has been hired by Bateman. Do you have any sense about how many the number are?

>> Julie Edmonds-Mares: Originally, there was over 20 staff were hired by Bateman. They originally staffed to one level with a number of kitchens. We did downsize kitchens over time, and they did slim the staff down. They remain with the significant number of city staff.

>> Councilmember Liccardo: Okay. So many cases it's the same people who are doing the serving and the cooking?

>> Julie Edmonds-Mares: Just to clarify. Bateman's responsibility is to cook and deliver. It's city staff's responsibility along with volunteers to actually serve at the site.

>> Councilmember Liccardo: Okay, now I'm trying to understand when you say it's responsibility of city staff, that means Bateman's not involved at the centers themselves, they're not there?

>> Julie Edmonds-Mares: They are on site, they bring the meals, they are on site. But it's our responsibility to ensure we have sufficient volunteers to actually hand the meals to the individuals at each seat.

>> Councilmember Liccardo: Okay, Bateman delivers the food and then leaves, and they're not there serving.

>> And that's what we contracted with them for. It was always our model, again, we had a very large cost recovery savings, and so we save -- we committed to utilizing volunteers to provide that site-level support. And it was a cost saving mechanism.

>> Councilmember Liccardo: Right, okay, thank you very much.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: I just wanted to mention that the meals need to be warm, hot. That was another complaint, they weren't warm. And that they weren't getting the same number of meals that they ordered. They were getting fewer than they actually ordered. So those two be added to the list.

>> Julie Edmonds-Mares: Okay, we'll follow up on that, thank you.

>> Mayor Reed: I have a request from the public to speak on this item, we'll take that now, Mr. Wall.

>> I'd like to thank Councilmember Herrera and Councilmember Campos for raising two very significant issues. One about the warmth or the instability of heat of the meals. Raises the issue that Councilmember Rocha brought up, as a possible reason why there's decreasing participation of customers. They might be getting sick. And if you get sick, as a young person it's one thing but as an old person, it's another. Councilmember Campos had a very poignant issue about transportation. So a lot of these seniors as it's been discussed at rules and other meetings have said that they cannot get to the senior program. I think ecopass may be a way of doing that and you could also integrate that as a broader package for city employees. Another issue that wasn't discussed here today but has been discussed at Rules is how seniors to get their food have to go into a forced labor camp type environment. They're old. Aged and infirmed and yet they have to pull down tables and set up chairs and put them back, as if they were young, spry councilmembers. No, this is not right. When I hear about performance, I'm reminded about a great quote, about performance is relatively simple to measure. And performance is what counts. Lew Wolff said that. And when I hear about the warbling of excuse-making with staff off to my left, madam City Manager, I am not sympathetic and/or charitable to your appointments or to your adherence of the minutiae that's required to make sure the seniors are well fed. And in closing it is really sad, San José, the valley of the heart's delight. An agricultural powerhouse has been reduced to meals ready to eat for our seniors.

>> Mayor Reed: That concludes the public testimony on this matter. We have a motion on the floor. Councilmember Rocha's motion incorporating several on the motion. On the motion, all in favor, opposed, none opposed, that's approved. That concludes the consent calendar. We'll move now to item 6.2, regarding

minimum standards for the development of lands to the West side of the airport and terms and conditions for an RFP. This is a continuation of the hearing that we started two weeks ago. We had a substantial presentation, public testimony, we're not going to repeat all of that today. We're going to let the staff get a chance to get in place because there have been some things that have happened in the last couple of weeks that they may have something to comment on. And we'll try to get a motion on the floor. I know that people are not able to testify last time. We'll take that testimony today, after we get a motion on the floor, I think. So staff, anything to add in the way of your presentation? There was a community meeting last night and some other things that have happened. Just see if anything you want to bring us up to date on.

>> Bill Sherry: Thank you, mayor, Bill Sherry, director of aviation of City of San José. Several things have occurred over the course of the last several days since this was before council. We held a community meeting with District 6 last night, in the chambers. I would estimate there were probably somewhere between 35 to 50 people in attendance. Lots of questions. There were some comments about good to see job generation, economic development, but most of the comments were concerning noise impacts, environmental impacts, air quality. So on, so forth. We, again, reviewed the noise contours, the most recent update in 2010. Compared to the noise contours that were last updated in 2003. Actually, they have been updated several times since then. But in essence, the noise contours are shrinking because we are anticipating fewer aircraft operations and the use of more fuel efficient and quieter aircraft. So I think it was a mix of comments, probably more slightly on the negative side, given the community stakeholders that were there. We've also received letters, from the community. Again, reflecting the same type of comments. There were a couple letters concerning the minimum standards, and I think I'd like to address that just for a minute. We do our best to reach out to all stakeholders. But understand that our database isn't 100% complete. So there were some stakeholders that were not on our initial mailing list. Subtenants of tenants we have. And the comments we received, I think some of them have some merit. So if given the latitude, staff can incorporate those comments into the minimum standards, if approved by the city council today. Then lastly I'd like just to cover airport finances. The finances, and particularly the revenue at the airport continues to worsen. There were basically three factors that started the decline in passenger activity at the airport. Those three factors were the airport development program which made it difficult for airlines to operate during the construction. The recession of 2008, and what we call the virgin effect, where airlines are throwing

enormous capacity up to San Francisco, make making San Francisco the most delayed airport in the nation now. We thought when we were preparing our budgets that once the development program was completed and the valley started recovering from the recession and San Francisco basically became at capacity, that we would start seeing some growth. And so in our fiscal year 12, we anticipated a very modest 2% in passenger activity. Unfortunately that has not materialized, and not only has it not materialized, we've actually continued to see erosion. So we will be updating our budgets to reflect not a 2% growth in FY 12, but actually a 1.5% decline in passenger activity. And then when it comes to FY 13, we were hopeful in our forecast that we would continue to see a 2% increase in passenger activity. I've now instructed our budget analyst and our CFO to recommend to the City Manager a flat, no-growth, no-decline, in FY 13 but it remains to be seen if that decline continues to erode. The reason I bring that up is, we have completely over the course of the last five, six, seven years converted all of our revenues sources to market rates. So whether you're looking at landing fees, terminal rentals. Food and beverage, retail, parking, no matter what revenue source you look at, we are at market rates. So I mention this because this is really the last item that we have to generate new revenue at the airport. If we continue to see passenger erosion and we don't see additional revenue coming in the council and staff are going to be faced with some of those very difficult choices that we've been faced with before particularly with the outsourcing of police and fire services. With that I'll hand it back to you, mayor.

>> Mayor Reed: Thank you. Well, that's, we got a great airport. That's for sure. But we need that passenger activity up to be able to do everything that we need to do. So staff is working hard on that. I know that we're doing everything we can to improve the passenger activity. But certainly we have some issues that we have to deal with, and what I'd like to do is to try to get a motion on the floor here, and then I'll speak to the motion and then we'll take some public testimony. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I would like to make a motion. First of all, to accept the staff recommendations, with direction and modifications outlined in the March 16th memo from Mayor Reed, councilmembers Herrera, myself and Licked, and with modifications outlined in the March 29th memo from Councilmember Liccardo. With further direction that the city council give authority to the City Manager, to amend the minimum standards, to respond to airport conditions, and in consultation as necessary with existing airport

tenants and prospective tenants who respond to the west Side development RFP in the future. And with that I'm looking for a second.

>> Councilmember Herrera: Second.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: We have a second.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: We have a motion on the floor.

>> Councilmember Pyle: Don't go too far Sam. I would like to get some input from Councilmember Liccardo. But while he's busy for a minute, I wanted to make a few talking points here. First of all we must make sure that our airport can continue to meet its financial obligations. The March 16th memo expands the staff recommendations to include any aviation use, allowing responders to propose the location and the size, and allowing consideration of a proposal from a group, rather than a single entity. And clarifies that the most important criteria is, revenue generated to the airport. I'm going to say that again. Revenue generated to the airport. We are in triage. The memo also directs staff to present the following to the airport ad hoc committee, meeting in May: A draft of the RFP, an analysis of economic benefits generated by other aviation uses, such as, I'm dreaming here, a sports terminal, other revenue generating sources such as increased fuel flowage fees and landing fees. And it goes without saying, that outreach is critically important. We must make sure that we not only communicate with our tenants, but also, the subtenants, and our residents. And Mr. Liccardo, would you, Councilmember Liccardo would you like to provide comments on your memo as well, that you've incorporated?

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, councilmember. I think most of the suggestions are fairly self-evident. We've had a lot of conversation with airport staff and I appreciate their willingness to engage with us and particularly all the communities' involvement. We have received a lot of e-mails and calls and obviously a lot of residents in my district and several other districts are very concerned. And so this is an attempt to try to address some of those concerns, recognizing there are really limitations to exactly what we can do. And to the extent which we can make some commitments but I think at the very least what we've got are pretty strong lease terms. That are going to ensure that curfew continues to be in effect. And that we're going to have reporting that will ensure that the public will know what the real impacts are of traffic, with any new FBO. As we anticipate it is likely to be a new FBO that remains to be determined from the RFP.

>> Mayor Reed: Thank you. I'd like to thank the members of the airport ad hoc committee to whom I've just spoken and Councilmember Herrera is getting ready to speak. We've had a lot of meetings dealing with the airport competitiveness plan, implementing that. And the airport council has made some difficult decisions making sure we control the cost. And staff has worked well a couple of years now very focused efforts to make sure that we can keep our CPE, cost per enplaned passenger, down at the competitive level. So we've invested a lot in this airport. It is a great airport, but we do need to control the cost so that we can compete not just with other Bay Area airport but with every airport in the country at some levels. Because as I've talked to CEOs of airlines about adding additional flights here, they're going to have to take the aircraft with someplace else. And so we have to compete with that someplace else for that aircraft. The news that we've gotten from ANA is good. They're going to add a flight to Tokyo next year but they're getting new aircraft and not many airlines are getting new aircraft so we're taking advantage of the opportunity while we can to make the pitch. But in the meantime we have to control the cost and increase revenues and we have just heard from Bill Sherry that some of the cost factors are not going in the right direction, namely, the activity level. So levels are really critical and this is one of the opportunities to increase revenues in the relatively short run. And what we're proposing is substantially different from where we started with the original idea. We're proposing to open this up to the market, test the market, a lot of people have said a lot of things about what they think the market is. This is the way to find out through this RFP

process. And so I'm looking forward to hearing what people propose, seeing what they propose in real terms. We'll get that and then we'll assess whether or not it's in our interest to do something. Hopefully it will be. Hopefully it will generate revenues but the alternatives are not pleasant. Because if we can't increase the revenues we're back to doing things like outsourcing Police and Fire, staff reductions at the airport, all of which we'd like to avoid. So this is an opportunity. We're not making the decision today but we are going to put ourselves in a position where we'll know what the possibilities are. And we don't have to take anybody's word for what they think will happen. We'll just wait and see what happens. And there are a lot of people have predicted what might be proposed, but this is an opportunity to test it and find out what's real. I would note that the memorandum contemplates opening up to any activity that's allowed under the airport master plan and the environmental impact report, national environmental protection act. And the FAA regulations. So we've already done all of the work environmentally in order to do this. We are way below the maximum approved under our environmental review process. So we should move ahead at this time to try to get the revenues in sooner rather than later and I just don't think we can wait. We're going to deeply regret waiting when we have to do some other things as a result. So this is a chance to get some money early. And there's opportunities for additional stakeholder outreach, as Councilmember Pyle has outlined. We're not going to be on the street, I don't know where that street is but it's not going to be published for a while. And so even after it's out then there will be opportunity for outreach. So I think we'll see a lot more along the way and that's good because the more people know about this, the better proposals that we might get. With that I want to thank my committee members and recognize Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. And I want to thank my colleagues on the ad hoc committee, Councilmember Pyle and Councilmember Liccardo. I had a question for Bill. What -- and I know it may be obvious, but why do you think the main reasons are for the 1.9% decrease in traffic, in passenger traffic?

>> Bill Sherry: Again, it is an erosion of flights we're continuing -- and this is a phenomenon that is more pronounced in the Bay Area but is really being seen throughout the U.S. where airlines are throwing heavy concentration of flights and seats into the large hub airports. And that phenomenon is result of the recession, where they're trying to reduce the number of one-stops, where passengers will go from hub to hub or city to

city. Instead they might have to do a one- or two-stop. That is more efficient for the airlines. It is obviously not as convenient for the passenger. But in addition, as I said, the Bay Area, we have the virgin effect. That's going on up in San Francisco. Virgin airlines is a new airline. Headquartered in San Francisco. And there are bitter, very bitter market wars, market share wars going on, where the other carriers are trying to choke out virgin from growing in San Francisco. And because of that, they're throwing enormous capacity into San Francisco, to the demise of San Francisco, it's really causing a lot of congestion problems for San Francisco. But it's also taking service away from Oakland and San José. We had thought that that trend would settle down. But it has not yet. It has got to start settling down, soon, because San Francisco just can't take much more capacity thrown at it. So I still am very bullish on San José. I think that we're going to -- we're going to come out of this. But until we do, we've really got to tighten our belts and try to explore as many new revenue sources as we can.

>> Councilmember Herrera: And I want to congratulate those who have approached different airlines. I've been a party to meeting some of those folks too and I do have a positive kneeling in the future there will be more airlines making a choice to come to San José. And I think you know it's tough because their decisions have to be made based on you know new purchasing new airliners and all kinds of other decisions. It's not just something they can make lightly. It is a very serious and very difficult decision for them to make. But I do think that our airport is very compelling. The passengers that come from San José area, that is compelling to airlines because they know that a lot of the folks that even go up to San Francisco are coming from the South Bay and coming from -- or passengers that live in this area. So I do feel very positive about it. And I do take very seriously what you're saying in term of needing to do something now. And bringing in revenue. And in my time on the ad hoc committee I just come to understand how critical it is to make the airport economically viable now. If we're going to be able to be successful, and attract these new airlines, as time goes on. Especially with an \$85 million of debt and growing, it continues to grow, we've got to find new ways to make the airport generate revenue now. That's why I co-signed the memo. That's why I support modifying the RFP criteria to keep the focus on generating the most opportunity and I think it may well be an FBO that ends up there. But getting leeway what the market tells us what wants to go there what the opportunities are so I look forward to hearing the proposals that come forward. That's going to give us a lot of good information. I don't think we have five years to wait to do an extended planning session. We want to have an airport that's viable. We don't want to have one that's five years from now regretting that we had to

change and shut down things to the point where it makes it not viable. So I appreciate all the would be and look forward to hearing what comes forward as our RFP allows us to test the waters and take a look at what we want to see happen at the airport. I'll be supporting the motion.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. So I'm glad to see you're optimistic, Bill. Because I just went on the Website and just from your professional opinion, I've seen a number of new routes that are advertised on the Website. You know, to Kona, Kauai, Maui, Honolulu, Palm Springs, Reno, and then in 2013, to Japan. So given your, and I'm thinking this is off the top of your head, you know, looking forward, that we're still going to see a decrease in passenger service. I mean is that also taking into account these new routes?

>> Bill Sherry: Councilmember, yes, it is. You are correct, those are all new routes, new service being added. What wasn't addressed on that Website is the lost service. So you have to look at the net increase or decrease, and unfortunately, we've -- while we're gaining in certain markets we're losing in other markets. Most notably, frequencies. We're not losing destinations per se. We're losing frequencies to destinations.

>> Councilmember Campos: So are we losing those frequencies say in the California corridor, is gold, right? I mean it's going from here to Southern California. Is that where we're losing passengers to virgin? You know from San Francisco?

>> Bill Sherry: Yeah -- I wouldn't say so. I think we're pretty strong inter-California. We're strong now to Hawaiian islands. We're strong north to Portland. We're strong to areas like Phoenix, Vegas, Salt Lake. Where we're really losing that service is transcontinental and international. Those are the two areas where people are forced to travel to San Francisco. And my best example is the New York market. Last year, I think I mentioned this, at a city council meeting. A year ago today, San Francisco had 33 daily flights, direct flights, to the New York metro area. We had one, and it's a red-eye. Because of the virgin effect, today San Francisco has 38 daily flights to the New York metro. We still only have one daily, and it's a red-eye. And so if you're a South Bay resident and you

want to do business and go to New York, you can either fly our red-eye which flies full, it has high -- all of our flights have high load factors. But chances are, because of the more convenient flights you can get, and plus, because the airlines are throwing capacity up in San Francisco, there's a bitter war going on so air fares tend to be less. And so you're forced to get in your car, travel up to 101. Not because you want to go to San Francisco but it's just because that flight is more cost effective and it's more direct and it has the frequency you want. We need to see that start turning around. We need to see airlines start realizing that the South Bay residents want service in San José. But until this virgin effect war and the concentration into the large hubs starts to subside, it's going to be a while. And I'll just echo what the mayor said. The U.S. foreign flag -- or I'm sorry, the U.S. flag carriers aren't buying new airplanes. The foreign flag carriers are buying new airplanes. They're financially in better shape than the domestic carriers. So when we look to the legacy carriers like American, delta and United and so forth, they don't have new planes coming online. So if they're going to put another daily into New York from our airport, they've got to steal that plane or take service away from some other city. And so that's really what we're up against. We're trying to convince those airlines that that flight will do better in San José than in other cities. An then it comes down to that cost factor.

>> Councilmember Campos: So I'm just trying to figure out where are we losing passengers. You're saying -- and I'm not trying get into a debate here. I'm just trying to understand. If our East Coast flight and we only have what, one or two or three, you know one to New York and one to Boston?

>> Bill Sherry: Very few, yes.

>> Councilmember Campos: If they're flying full then did we lose routes or frequency in the past year?

>> Bill Sherry: Yes. In other words open the net, we have some gains and we have some losses. But overall, we're seeing fewer flights, and because there's fewer seats in the market, we're losing passengers.

>> Councilmember Campos: So going back to virgin, I know we've had this discussion before, I would suspect that we are doing a full court press in trying to get virgin into San José. Where is that at now?

>> Bill Sherry: We are. I think the mayor talks with David Cush, the CEO of Virgin, pretty regularly. The last word that I've got through the Mayor's Office is that Virgin is committed to starting service in San Jose in 2013. David Cush himself made that announcement at the downtown rotary presentation that he gave. So we're remaining very optimistic that's going to happen. As a matter of fact, we've already taken some preliminary steps. We move Delta out of terminal B up into terminal A to rebalance the terminals so we have the capacity to accept Virgin in our new terminal because that's where they'd like to be. So we're ready, willing and able to accept the airline. We have I think one of the most aggressive incentive programs in the nation. And Mr. Cush is very aware of that. So we're very hopeful that Virgin will be here next year.

>> Councilmember Campos: So getting at the issue at hand expansion on the West side of the airport. I'm trying to -- so what you're telling me from one day to the next we put out this RFP, we grant it to whoever wins the RFP. We will assume new tax revenue, that will help our budgets next year or the year after?

>> Bill Sherry: Yes.

>> Councilmember Campos: So how does that happen?

>> Bill Sherry: If assuming that the -- and depending upon how much development occurs, we just stick with the 15.5 acres that was originally proposed, that would generate about an additional \$2 million to the airport.

>> Councilmember Campos: So tell me how that -- how do we get 2 million, is that from aircraft being based there, is that from property tax that comes in just by signing the dotted line and accepting the RFP and committing to develop, how does that happen?

>> Bill Sherry: Our leasing model which is similar to many airports around the country, we do land leases. We assess the value of the land and then the tenant pays a rent for that land, and then develops the

property. Additionally, as the -- they begin to get aircraft, the aircraft pay a fuel flowage. So our two principal sources of revenue for the airport is land lease and fuel flowage. For the city it's property tax and sales tax.

>> Councilmember Campos: So fuel flowage won't happen until there's actually a facility there and planes landing. So we can't expect that from one day to the next, right?

>> Bill Sherry: Yeah, all the numbers that I'm citing are when the facilities are fully up and operational. Day 1, no, it won't. But every day it's delayed is a day we don't get more additional revenue.

>> Councilmember Campos: And again I'm asking these questions because, one, I think we could expect our airport on the commercial side to grow. I mean, it is a desirable airport, the economy's getting better. The economy will, and again we can't predict this future. But you know, we've had one crash like we've had this past decade, what, 70 years ago, you know, the great depression. I mean that was our -- so there's a lot of distance in between those two great crashes. Our airport suffered during this last crash. I would think that our growth is going to continue on a positive level. We do have the most modern airport, even if Oakland continues on their plan if they ever to expand over there, who wants to spend an afternoon trying -- you know on 880? You know, we have a lot of these intangibles. And so what I'm afraid of, what we're doing is, again, being forced into poor decisions because, you know, we're -- we think that, you know, the airport's going to go bankrupt unless we make these hasty decisions. And planning just like anything, you know, when we plan a building or we plan a shopping center, we go through a thorough analysis. And I just don't feel we have gone through a thorough analysis, you know, on the West side of the airport. You know when you plan bad, you know what? We might not see the effects two or three years down the line. But we certainly could see the effects you know ten to 15 years. I'm still not convinced that if we -- we obviously have capacity with our FBOs you know. And why -- how is a new FBO, what are they going to do different, and guarantee that they're going to do different, to bring in new business that you know, we're not getting with our capacity that we already have? We have capacity. And so I'm not connecting those dots.

>> Bill Sherry: Well, let me see if I can help. First, with regard to the -- your comment on growth. A year ago, today, I sat before the city council and expressed optimism that we would grow. And we haven't realized that growth. Today, we're 1.5% down. And we thought we'd be 2% up. I hope that I'm not sitting here a year from now and still in the red. I have great hope that we're going to grow. But to date it hasn't materialized. So I think we have to be very guarded on both our revenues and expenses until we see that growth materialize. Insofar as the hasty decision I would beg to differ. This planning effort that has brought us here today has been a two-decade planning effort. You don't just instantaneously get NEPA approval, CEQA approval FAA approval. This development on the West side has been contemplated for two decades, dating back into the early and mid-1990s. And so we knew we would relocate the long term parking lot, once the development, terminal development was completed. We knew that we wanted to get additional general aviation development, first we thought it to be cargo, now we feel that general aviation is the best.

>> Councilmember Campos: But that just happened just recently. So you can't say over the last two decades that we knew we were going to put increased general aviation to that side of the airport. I mean cargo was looked at as being, that would be where we would have cargo. We could go all day. I'm not going to take up you know more of your time. I just -- you know, and what I mean by hasty decisions, we don't even know if we're going to close that -- the smaller runway. And so, till not knowing whether or not we're going to close the smaller runway and then deciding whether or not you know how we're going to plan for the future and do something there and if we decide to close the runway or not, you know we're basically reacting to some unknowns. And so I just have some very, very big concerns. And it's not needing to convince you because obviously you have your mind made up but it's good for discussion. And as we vote on this, we need to look at it, you know, with those eyes that whatever we do there it's there. No going back, it's there.

>> Mayor Reed: City Manager.

>> Debra Figone: Yes, Bill, could you, as the council's considering this policy decision, again draw the connection between the West Side and its relationship to the CPE? I think you just touched on that with the

revenue potential. But when we're talking about attracting virgin and the market that we're competing in, how does the CPE enhance our competitiveness or not? And where does that play in to the decision?

>> Bill Sherry: Okay. First off, the CPE for the audience's add vocation stands for cost per enplanned passenger. It is not a specific charge but rather, you take all of the charges that we put on the airlines, including landing fees, terminal rentals and various other charges, divide that by the number of passengers that they put through, and that's the cost that the airline has to pay the airport to board one passenger. Costs across the country differ from airport to airport. The airport that I managed before I came to San José was forth Lauderdale-Hollywood international. That airport became the fastest growing large hub airport and the primary reason was because we had a very low CPE. Our CPE when I was there was \$3.95. Our CPE when I first got here before the development program was in the \$6 range. And that has essentially doubled, primarily due to the debt service that was taken on by the development program. We're using extraordinary measures to keep that CPE low. If the council had not approved a lot of the cost reductions, we would be at \$24. And this airport would be the most expensive airport in the nation. Airlines, when they look at relocating aircraft from one city pair to another or if they've got new aircraft coming on, factor in airport cost. And in a Bay Area such as we're in where we have three airports, we're in close -- where technically we compete with every airport in the world, in the Bay Area we even have more stiff competition with San Francisco and Oakland because an airline can easily throw service up into San Francisco or Oakland. Our costs are very close to Oakland. Oakland is in the \$15 range. We're in the \$12 range. But San Francisco has a lot of name recognition, and a lot of other advantages working for them. We think, and I continue to stand behind this, that if we can keep that CPE low, and educate the airlines that, in the foreseeable future it's going to be low, because that's one of their concerns, is that well, okay, it's under \$12 today but what's it going to be two, three, four years from now? Because if they put service in they're not putting it in for a six-month period. They're putting it in for the long haul. And they need to be reassured that we can keep our costs low. We have done everything that I can -- I can think of in order to lower our cost. And right now, in order to keep our cost below the \$12 CPE, we're actually having to use excess bond proceeds to do that. Which is something that we prefer not to do.

>> Debra Figone: And so a new revenue source.

>> Bill Sherry: Yes.

>> Debra Figone: Could help towards the CPE.

>> Bill Sherry: Yes. This revenue just for the 15.5 acres would be 45 cents I believe equivalent to the CPE. That may not seem like much but when you are trying to get every penny off the CPE you can, 45 cents can be quite a bit.

>> Debra Figone: Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. There are a couple of things I would like to bring up. First of all a disclosure. My staff has met with representatives from Atlantic aviation, AV base and signature. And I read with great interest Mr. Lafferty's report, that was very interesting. I wanted to bring that up partly to satisfy Mr. Campos' objections. First of all what we are doing today does not preclude planning from happening at a different time. What we're proposing will help us to get out of the doldrums, and get the ship moving across the ocean a little faster. And so I'm hoping that this time line is something that we could use. If we can bring this to the ad hoc committee by May, and input out there to your -- to people at general aviation, and then, draft an RFP for stakeholder input or feedback in June, and then a final RFP to be released to the market in August, that takes us from next month, May, to August, three months, and I think in that time, a great deal could be accomplished. I think we have a wonderful group of people at general aviation, and I think some of them can move mountains with their thinking. So I'm hoping that that would happen. So this would be in agreement with you, Bill?

>> Bill Sherry: Yes. The time line you outlined is the same that we understand it to be.

>> Councilmember Pyle: I'd like to incorporate that into the motion if that's acceptable to the seconder.

>> Mayor Reed: It is acceptable to the seconder so we have a slight modification to the motion. Back to the discussion. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I'm going to agree with some of my colleagues in terms of opening up the RFP process and looking at all sorts of other uses, I think that's the right approach. What I've struggled with is for plea, the decision tree process and also in my opinion proper land use planning principles and I think we're lacking on both of those. I understand why we're moving today, I've heard from you a number of occasions the reasons and what always starts the conversation is the need for additional revenue. And I don't want to mischaracterize that, but that tends to be some of the primary reasons that you start with at least in terms of why we're moving forward. You've also talked about you think this is the right decision regardless of that, and that's where I -- it's just a disagreement of opinion. I'm concerned that we're moving forward on this and that may preclude us from other options. As we go from 44 acres that's potential development now and in the future depending what happens with the run ways, can you refresh my memory, what would be the total potential acreage we could use for development?

>> Bill Sherry: Right now we have 44 available acres. If the decision is made to close 1129, then theoretically we could pick up a total of 98 acres.

>> Councilmember Rocha: Okay.

>> Bill Sherry: So 44 plus whatever to get to 98.

>> Councilmember Rocha: So then we're going to move on an FBO right as I've seen in the maps right there in the middle but again we don't know what potential development opportunities might be there, whether it's next week or three years or five years down the road that we play have precluded. And again I'm no expert on aviation and I don't know if there's any large scale uses that might be fit for that site. But to the point that I made to you when we had a meeting, which was I don't feel that I've been put through the process where I can understand,

you have looked at all of those. You said you've looked at all of those, on a staff level but on a council level, I haven't heard that discussion. And if it has happened then it's my fault for not paying attention and forgive me and I apologize. Or did it's happened at the competitive committee level or ad hoc committee level, I'm sorry I wasn't present for that. But as far as I'm doing the math here and looking at what you're looking at revenue wise and whether it's one year in the future or five years in the future when it's fully operated, can you give me an estimate of when you think that fully operational it is? I struggle looking at that as our goal but then I hear that all airport traffic is going down. So how -- I mean I know you also brought up the point that you've been in front of this council talking about you expected growth here and there and it continues to not happen. I'm concerned that's going to continue to not happen and then we just moved on a land use development decision that didn't bear fruit as we expected. So I'm sorry I'm going on and on. I think the question in terms of generating revenue, your best estimate and I know it's just a guess and not going to hold you to it but what do you think that time line is going to look like to get us to the place you hope us to be in terms of using those dollars as the revenue the city is going to see?

>> Bill Sherry: Councilmember, the best way I can explain that is, there's a lot of uncertainties here. But we don't know what the ultimate development will be and what the time lines are until we put this RFP out. I think, you know, we're not taking action here to move with development. We're not taking action to sign a lease. We're simply taking an action to ask the market what are they willing to put in. And then when we get those responses, we can look at how it factors in to the air field as it currently exists. We can look at the factors of revenue generation for the airport for the city. Economic factors. Job generation factors. And then we can make good decisions based on that. If we think that it's going to compromise the ultimate development we don't have to move on it. But I can't answer how long it's going to be because I don't know what the development that's going to be proposed is or how it's going to be phased. So I think that yes, I think everyone has a lot of questions, myself included. But those questions won't be answered until we put this out open the street and see what comes back.

>> Councilmember Rocha: My experience is more of an RFP, what you just described to me sounds more like an RFI, in terms of putting it out to market and testing and finding out. An RFP to me sounds a little bit more defined and you're moving in a certain direction.

>> Bill Sherry: We did initially with cargo, we did RFIs and we got zero response.

>> Councilmember Rocha: How long ago? Sorry to interrupt.

>> Bill Sherry: Three years, four years ago. 2010 when we made --

>> Councilmember Rocha: It was a different market.

>> Bill Sherry: Yeah but we don't think from a cargo go perspective the cargo market is here.

>> Councilmember Rocha: I'm sorry, why are we talking specifically about cargo in terms of an RFI?

>> Bill Sherry: I'm saying we put out an RFI to see if cargo was a viable market and concluded it was not. That's when we made the conversion over to general aviation, but before making that conversion we did put out RFIs, and we got overwhelming response. We think that the market is there. We think that there's a lot of interest. But to get into the specifics of what kind of development, how long will it be, what kind of revenue it will generate we really need to see the responses. Then we can evaluate that and answer a lot of your questions.

>> Councilmember Rocha: Okay, again we think the market is there, we're projecting everything is going down. The flights, everything. So I -- I struggle with that statement, that we think and yet everything points the other direction. And that again goes back to, my concern. And I agree that an FBO, an additional FBO would only enhance the services at our airport. I have no opposition to an additional FBO. My concern, and points that I continue to raise in terms of driving this issue based purely upon the need for revenue, then it goes back to the issue of the status of our airport. And the CPE I think is the term that you used and the cost and what we might have to cut and things like that. Jumping over to that, I really want to get a better sense of the budget as far as the airport department is concerned and what we're looking at. And in order to keep those down can we use reserves or what can we look at? Or are we on such a slim margin that there really isn't any dollars there at the airport?

>> Bill Sherry: I would probably categorize it in the latter that we are on a very slim margin. We have already cut roughly about \$50 million out of our budget. So we would have normally, had we not taken any measures to control cost, our budget would be in the order of magnitude of about \$180 million. Today our budget is in the -- we're plus and minus in the 120, \$130 million range. So we've cut about \$50 million out of the budget. We are at a point, because we have the excess bond proceeds, teetering on having to dip into those reserves in order to pay debt service in order to keep our cost below \$12. I'm very hesitant to propose -- we have a few more cost-cutting measures that we're going to submit to the council, in FY 13. But much beyond that I'm really starting to get concerned that we're going to get into not being able to meet our core responsibility. So any further cuts in staffing, any further -- we've already done all the outsourcing we can. We have an item following this, this one that we'll save \$55,000 a month. But there's not a lot more that can be cut out of the airport budget. Part of the strategy here was not only to look at cost-cutting measures but also revenue-enhancing measures. And this is the revenue-enhancing measure that is the most viable.

>> Councilmember Rocha: Along that point, additional flights is generally our ultimate goal.

>> Bill Sherry: Oh, yes, absolutely.

>> Councilmember Rocha: And I have seen a lot of time and effort spent on this item, for good reason. But then it goes back to an issue that I raised earlier which is, your focus on additional flights and generating those. And the time that you spend on that. Because if that is generally what we need most, I'm hoping that's what you work on most. And it's easy for me to sit up here and say, I'm not seeing it and I listen to the reports and the activity reports and I've heard from the mayor a number of times that the attention we're putting into it. But as far as you focusing your time and energy on it, at a staff level and you, not just you, I meant the department, are you making any changes or approaches in terms of reaching out to other airlines and making the case for San José for lack of a better term or is it just business as usual we send our brochures out and hope somebody calls us? I'm simplifying it and I don't know. Please tell me we are putting a lot of work into this.

>> Bill Sherry: We are putting an enormous work into it. Let plea see if I can summarize it on a very succinct way. On an annual basis if not two or three times a year, we try personally visit every single domestic carriers in the U.S. All the legacy, all the low-cost carriers. They will frequently come to visit us, we will also go to their corporate headquarters. On an international front we try to target which cities we believe, based on Silicon Valley travel, what cities have the most potential for air service, direct air service from San José. That being Tokyo, London, Paris, Beijing, there's a number of other cities. Once we have those cities identified, then we look at the airlines who could best serve those cities. Looking at what airlines are growing, which airlines are contracting, the ones that are growing, would that -- with our city pairs fit their strategy well? And then we reach out to those carriers and visit them. There are a number of conferences that are held both domestically and internationally. We attend every one of them. Where the airlines and the airports come together and discuss strategies. In addition to that, which I think -- and this next part I think is the most compelling part of our sale strategy, is engaging our community. We have engaged the chamber, and we have engaged the leadership group to help us go out and sell Silicon Valley. Just by the mayor getting on an airplane with Carl Guardino, going over to Tokyo and meeting with the CEO of ANA, I think that was a very compelling reason why ANA chose to start up service here. So I can tell you quite honestly there's a very deliberate and concerted effort reaching out to every single carrier we believe that could service San José.

>> Councilmember Rocha: Thank you for that. Industry growth, and we talk about our passenger activity decreasing, what's the national? Outside of the Bay Area and this issue with San Francisco what's the national landscape look like?

>> Bill Sherry: As a matter of fact there was just a chart and I can share the chart with the council when I get back to the office. ACINA, that's an industry group that stands for airport council international, it's a worldwide organization broken up into continents so NA stands for North America. So they just did a whole summary of what airports are seeing nationwide. And nationwide, just about every airport is seeing reductions. For a medium hub airport which is our size, I believe the U.S. average and don't quote me on this but was about the 4.5 decline. So the phenomenon that we're seeing here is not uncharacteristic with the rest of the country. There are certain

exceptions. And San Francisco is most notably an exception. They are seeing increases, much greater than any other airport in the U.S. And it goes back to that virgin effect.

>> Councilmember Rocha: Okay. I'm going to stop there. There's a whole host of other questions I have just in terms of the minimum standards and the RFP process and how this plays out. And -- but I'm not going to put it -- audience or my colleagues through that and I'll just ask for another meeting off line to talk to you about that so I can get a better understanding of how this approach is going to go forward. I struggle with this issue even regardless, the memo that I submitted, based upon the case you make about our finances, and the thin margin. That's to me reason enough to move forward on this. But I'm honestly again not compelled by any presentation yet that we haven't looked at all alternatives for use on this side of the property. And I'm also concerned about the impact on the community, regardless of whether the uses are existing or not or we're adding traffic or you know the reduction of contour lines, I understand all that. But given what I've heard from the community and one of my staff members attended the meeting last night. If we're not living to the stakeholders, those tenants on the other side of the property, and we're not listening to the community, on top of that, the issue that I think in terms of proper land use planning principles in the decision tree, then I'm sorry I'm not going to be able to support the motion today. But again I recognize and I apologize for that given the finances and because I think it's incumbent upon me as a councilmember to make a decision based on the future of our airport. But today I'm not convinced that I need to make this decision and I'm not going to be able to support this. Let me jump back to the question I raised in the other item, the council heard, was the airport commission. Have you gone through the process, have they provided feedback on this?

>> Bill Sherry: Yes, I'll let Kim Aguirre, assistant aviation director, cover this. This has been before them twice, and it was incorporated into our memo.

>> Yes, we have met with the airport commission and took them through the minimum standards, as well as the potential studies and the runway options at the second quarter of meeting of this past year. They did have some comments on the minimum standards that were incorporated and changed. And that note was also included into

the staff memo. And then we have an upcoming meeting in the last quarter of this year where we'll bring all this information back to them as well.

>> Councilmember Rocha: Well, I saw that in terms of the specific minimum standards but the overall development on the west side of the property, I had a conversation with two of the airport commissioners. I didn't get the impression that they really had an opportunity to weigh in on that larger land use decision.

>> We took the --

>> Councilmember Rocha: Maybe I misunderstood them but please.

>> We took the three different segments and we actually had consultants come in, make full presentations with staff. And we did take the whole thing through the airport commission as well.

>> Councilmember Rocha: Okay, thank you, thank my colleagues for bearing with me.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. And thanks to Bill Sherry and staff. I appreciate you making the extra time last night to go over the council presentation for the community. And I want to do say that I highly respect the team. I think you know you work within the parameters that the council policy sets up and you try to make the best airport that you can, under those parameters, and I know you try to sell the airport. And I know that the airport's facing challenging times, as you describe both in the marketplace, debt service for the expansion, and the reality is that we're competing in 2012. And we're competing against companies that use technology to avoid air travel. So we're sort of fighting that. And I do want to thank the mayor for setting up the high priority of the fiscal importance of the airport by setting up a council committee which is referred to as the ad hoc committee, I think that's extremely important. But for me the choice is potential revenue in the future, some time in the future through comment of the West side of the airport or known and solid cost savings by adopting recommendations

that you, the airport staff, provided to the council, to us before, and that may not sit well with the unions. I understand why you brought this proposal forward because council may not like the other ones. But I'm here to say if it's a choice between this and yet the potential today that I would prefer that one. There are externalities that are just simply unknown, and we can't predict about how many planes under 89 decibels will fly during the curfew hours with expanded general aviation. We just don't know, but it will be some thing to some degree. And we can't enforce the curfew on those planes by the court order. So I'd rather make the choice of known cost savings versus potential savings that will impact neighborhood sleep time. So we're one of seven cities that have a curfew, we're the few but it is a manageable situation, and I would rather make those harder decisions than impact the residents. But I do understand why you brought this forward, because the council has put you in that box. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor, and I also want to thank you, Bill, and your staff. I know these are tough decisions and you're going through a thoughtful process that you believe are in the best interests of the airport and we sometimes tell you otherwise and I do know it's not easy for you but I do appreciate all the work you put in and the community outreach and obviously appreciate the community as well for their full participation. I think I saw kind of how Councilmember Campos put his planning hat on and it's hard not to when you've had that Planning Commission experience to not think about kind of the planning aspect of it. And I understand the CPE issue of trying to make the airport competitive. And although as hard as it is I think we need to separate the good planning component of this decision from the commercial side competitiveness issue. Although you can't do that it's important for us to do, for the long term planning of the airport. You need to do what you can to make the airport competitive, today, tomorrow and in the next few years. And so I understand why that's been a major focus of your decision making process. And staff reports. That being said, I do have a concern, when we're using the impact on the commercial side, kind of in I think we've seen a lot of decisions that have been made this way, kind of the doomsday scenario, if we don't do this then these bad things can happen. And I'd like to see the decision making based upon what is the best decision for the airport, not just in the next couple years. But in the long term. And what is the best planning principles for the City of San José and the

airport in the long term as opposed to simply seeing how we can remain as competitive over the next couple of years. Because frankly if we make bad planning decisions now we're not going to be competitive in the long term. And so you know there are a lot of factors outside of our control in terms of competitiveness. I think the economy is number one. The economy being healthy nationwide and globally has the greatest impact on our ridership. As much as we would like to think it's all these other things, the number of passengers really depends on whether companies and families have money they can expend based on air travel and these other things. We are seeing an uptick in leisure travel and business travel they're going to be much more cautious. And frankly, that's the bread and butter, really, as much as vacations are great, it is the really the business traveler that dictates, particularly when we talk about Asian flights and when we talk about transcontinental flights. In terms of the CPE you make an indication here that we can have up to \$1.9 million which can drop the CPE to about .45, about 45 cents on the CPE. But it indicates in the report that that's when it's fully operational. And so given the fact that we already have capacity now, you know, what does that mean? Does it mean a couple years? Does it mean 20 years? Does it mean ten years? Again obviously an estimate, we obviously don't know how the economy is going to react. But I'm just curious what that would mean only because with the cautiousness on the commercial side it's hard to believe there will be any sense of grade optimism on the GA side, that would overshadow the kind of pessimistic outlook on the commercial side. So what do you think that would mean in terms of full operation?

>> Bill Sherry: We've estimated that assuming that we put out the RFP, we get a response that is to our liking, we go under contract with the proposer, that there's a -- basically there's a two-year development period to go through design drawings permitting and construction. So the way it's structured, is that day 1, when that lease is signed, the new tenant would pay half of the land lease. And then, either on the earlier of receiving a C.O. or I believe is it one year or two years? It would be two years when the rent would go to 100%. So day 1 we'd see 50% of the rent, and by year 2 we'd see 100% of the rent. Fuel flowage, obviously, is dependent upon how quickly they can gain subtenants and so forth. So that could take a little longer to ramp up. But day 1 the airport would start receiving roughly about half the rent.

>> Councilmember Kalra: Okay, but my understanding is fuel flowage is a big percentage of the anticipated revenue.

>> Yeah, Dave Moss, deputy director with the airport. Yes, the half rent for the first two years is about \$675,000. And the full rent on 15 and a half acres is about \$1.35 million. And that's based on \$2 a square foot per year for the site. And then the flowage of course that would fall afterwards, the way we calculated that is we looked at the current fuel flowages coming to the airport, and just proportionately allocated it with an assumption that a new FBO would bring in a similar amount of fuel flowage once it was fully up and running.

>> Councilmember Kalra: What's the cost per square foot?

>> The latest assessed value I believe was \$2 per square foot per year.

>> Councilmember Kalra: How much is the current -- are the current FBOs paying per square foot?

>> There's a range because of the way the existing agreements are. Some are at \$1.58. I think the latest is \$2, I believe it's Hewlett Packard is paying \$2.

>> Bill Sherry: And that's an important note. Part of our legal requirements under the FAA we have to treat commercial operators equally. So we cannot put one at an economic disadvantage over the other. So the same terms and conditions have to apply to the new tenant that apply to the existing. Now, the way we do that typically is, the tenants pay a capitalization rate of 10% based on the fair market value of the land. And the fair market value of the land is determined by a praisal, reappraised every five years. So they would have the same terms incorporated into that new lease. Now, understanding that over the course of five years, different tenants will pay slightly different rates depending upon what market adjustments are made in the fair market value. But the principle is the same.

>> Councilmember Kalra: How much do we get in fuel flowage with the current operators?

>> Bill Sherry: Right now the rate is 10 cents per gallon. We think that's low. Part of this exercise has said that we want to bring a rate resolution back to the city council for consideration.

>> Councilmember Kalra: But if part of our reason for doing this is making the commercial side more competitive, why would we look at making the GA side less competitive if we're trying to get more if we're assuming we're going to get more planes coming isn't that going to counteract the idea of adding GA capacity?

>> Bill Sherry: No, I don't think so. As long as we stay within market. So we look at other airports. We look at what they're charging. Right now we're the -- pretty much the low end of fuel flowage fees. So what was San Francisco? 27%. And we're 10 cents per gallon. So there's a considerable difference there.

>> Councilmember Kalra: And how much did we get in last fiscal year in terms of actual dollar amount in fuel flowage?

>> Bill Sherry: 800,000 total.

>> About that.

>> Councilmember Kalra: So in terms of the estimated general or property tax revenue to the city, 825 is assuming the entire 15-acre site is leased out?

>> Bill Sherry: Correct.

>> Councilmember Kalra: Okay. And this is the 15 acres, the total amount is 44 acres of developable land. This is just contemplating going an RFP just on the 15 acres?

>> Bill Sherry: We originally when we wrote the memo thought that we would kind of take this step by step. So to take the RFP for the PBO off first. And follow with subsequent RFPs for different land uses. The mayor's recommendation says let's look at all possible uses. And so that's the move that we're making now.

>> Councilmember Kalra: But the discussion as well, the astaff report as well as the discussion has focused on FBO. So ask there any other uses that you can anticipate or feel that would be as good or better or is that something that you're just going to wait and see?

>> Bill Sherry: There are three possible -- I can see if I can pull it up on screen, there is basically 3, there's an FBO which provides pretty much all services up to the general public. There is a SASO which is a specialized aviation operator and then there's private development. Now those are three categories. We placed an FBO in the number 1 category for two principal reasons. Number 1, they're open and provide services to the general public. And number 2, based on our experience with our tenants that we have, they're the number 1 generate in terms of revenue both to the airport and to the General Fund.

>> Councilmember Kalra: Yeah but by sticking to what's currently allowable though we're closing out the opportunity for other uses that may not just be beneficial to the airport fund, but the General Fund as well. And again that's more of a concern of ours. I'm just in terms of a more mixed use development that may incorporate some of those uses and these uses as well.

>> Bill Sherry: Actually not. If the mayor's recommendation is approved then the respondents can pitch any allowable use. And so one concept is a sports terminal. Now that we've got the 49ers coming down, possibly the A's, the sharks, the earthquakes. This is the concept of possibly developing a sports terminal designed specifically for sporting teams. So with the mayor's recommendation, this RFP would be open to any allowable use.

>> Councilmember Kalra: But -- so in addition to the three you referenced, FBO SASO and the private, what are the additional uses, I guess that's my question, because you mentioned these are the three uses that's allowed.

>> Bill Sherry: There's really anything that's aeronautical. The FAA would insist it be aeronautical. But within that context, there's those three, and the sporting terminal would probably sit in the private category.

>> Councilmember Kalra: That makes sense. And I think that is where I see a conflict with our role and your role, in that we need to make sure that the use of this land is maximized, and by limiting it to FAA what's aeronautical, that limits the use of this land or all the potential that's out there. And that's why I think the planning first approach makes much more sense. If we're talking about a two-decade process and trying to figure out what to do with this land, and the delay by not -- the delay would be you know looks like 30 or 36 months, given the fact even as has been indicated to go out to RFP you're still not guaranteeing we're actually going to execute an RFP or we're going to go forward with it. We're just going to kind of test the market. And so with the CPE and you indicated that -- how much again please remind me, I know you've gone over this before in presentations how the airport operates, how much in dollar amount does it take to reduce the CPE by one dollar?

>> Bill Sherry: One dollar, \$4 million.

>> Councilmember Kalra: How much in excess bond proceeds you referred to earlier?

>> Bill Sherry: Well, that's a moving target. The program, and understand, I'll answer your question. But we're still tallying up.

>> Councilmember Kalra: Sure.

>> Bill Sherry: -- the project cost and trying to close this project out. The project and I'm going from memory here. I didn't bring --

>> Councilmember Kalra: I understand that.

>> Bill Sherry: The project came in about \$160 million under budget. Of that, there was about \$140 million that was debt financed so the money is in the bank. There is still about I believe \$60 million in close-out cost. In other words there's still projects we're still developing and we're reimbursing the airport. The simple answer, the net proceeds is about \$76 million.

>> Councilmember Kalra: And that's what you were referring to earlier when you said you might have to dip into that if we continue to lose revenue on the commercial side.

>> Bill Sherry: Yes, yes.

>> Councilmember Kalra: Because as I stated in the beginning I think good planning principles is paramount here and short term decisions to bring in a very unknown amount of money to offset the CPE is not as important as long term planning that is good for the airport long term the city long term and the residents long term. But really it's been a great conversation, it's been very helpful for me, I really appreciate the answers, and you know to maintain good planning principles, and to have \$76 million in excess bond proceeds especially since the bond was designed to create an airport that was modern and competitive, I don't think there's anything wrong with having to dip into that if it's a matter of maintaining good planning principles for the foreseeable ten, 20, 30 years and making sure that that land is used to the maximum capacity both in terms of aviation but also in terms of the city and the City's General Fund. That's our task to consider more than yours. But appreciate the conversation and I would prefer a planning first approach that I think rather than putting -- I think we're doing it backwards. I think a planning-first approach for the entire property is a better choice of action at this time.

>> Bill Sherry: I just want to offer one clarification. I don't want the council to be misled. Of the 76 million that's highly restricted funds and the bond trustees determine how and when we can use it. And there's many different factors that come in including IRS rules and regulations. So our ability just to tap those funds is not as easy. It's just not money sitting in the bank. It has to go through a very laborious review process and they're even talking about bell curving it over the life of the bonds. We may not be able to use it early on.

>> Councilmember Kalra: I appreciate that clarification. It's not a slush fund. It's not money we can go to just because the economy is down. And I appreciate that clarification. The ideal is ideal and certainly the approach I would you know always lean towards is not touching it at all especially if we're just dealing with airport competitiveness issue, especially with projects that are appropriate for the airport. I just wanted to raise that issue, that it's there if it's needed. But I still don't think that the amount of money we're gaining through going forward with the RFP. Because we know although I know it's just to test the market but that's how the process starts. Once you get the RFP it comes into oh we can save money tomorrow if we do it and it's the same type of urgency that's put into place that counteracts good planning principles. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Thank you Bill, Kim and the staff for your work. With my engineering background, I'm having a hard time to support the motion. You know I'm a strong believer that a project of this magnitude should definitely measure twice and cut once. But I also have a question regarding to the -- have we worked or what's our effort, or working with the current FBO to ask them to help out with our budgeting, the short term budgeting problem? Have we worked with someone?

>> Bill Sherry: Well, we have had conversations with Atlantic. As a matter of fact, they've said that they would be interested in actually developing some, or all, of the 44 acres. But I felt, and I still do, that a public process is the best way to determine that. So they're not precluded from putting in on the RFP. Our legal team has concluded we could restrict current tenants. But I felt that was not the right thing to do. So they certainly can do that. Insofar as additional revenues, again, I go back to I've got to be -- I have to treat all tenants equally. So it's very important that whatever leasing principles that we have, that they'd be applied equally across the board. So the fuel flowage rate should be paid, and be equal to all, the same with the ground rental.

>> Councilmember Chu: Thank you very much. Let me rephrase my question. Have we done everything we can to fill the current capacity? I mean, or what's our involvement of helping the current FBO to fill the existing capacity?

>> Bill Sherry: You mean in terms of getting more aircraft, and more tenants?

>> Councilmember Chu: That's right, to fill those empty hangars and empty offices that are there.

>> Bill Sherry: Whenever we have requests for space, we immediately direct that inquiry over to our tenants. I will tell you that we've had less than positive results, and the most recent is our own police helicopter. We tried to relocate it on our airport, but the rates were too high. And so they continue to operate out of Moffett.

>> Councilmember Chu: Okay. With the addition of another FBO you think the rate would drop and it would be getting some of the property tax payment from the new lease?

>> Bill Sherry: Yes.

>> Councilmember Chu: Okay. But do we have a concern that we may gain one new FBO and then end up losing two?

>> Bill Sherry: That's always a concern. I think -- and I don't want to belittle that concern. The likelihood of who would be chosen to build an FBO, it's likely, we have worldwide companies that are traded on the New York Stock Exchange, London stock exchange. These companies have to believe that the business is here. And I don't think that they would be looking at just stealing business from a competitor, they want to grow the business incrementally. And if they don't believe the business is here, they're not going to invest 20, 30, \$40 million into a development. But that's hypothetical. Until we put out an RFP I don't know what the response will be.

>> Councilmember Chu: And do we have the right to reject all RFPs?

>> Bill Sherry: That's the most important point, again, we're not sanctioning a development here. The decision today is not to grant development rights. It's simply just to go out to the market to see what is there. And the city

will always retain the right to reject proposals, and so I think you know, I will know a lot more when I see the proposals coming in, in terms of the quality of submittal, the quality of development, the quality of experience. It could be very high. It might be very low. And we may just decide, reject them all, and let's go with the planning.

>> Councilmember Chu: All right, thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Bill, if we approached this as some have advocated, a planning-first approach, I know Atlantic has been advocating strongly for that, is that going to do anything to remove the constraint the FAA would hold over aviation based uses on West Side development?

>> Bill Sherry: No.

>> Councilmember Liccardo: So whether we go planning first or we go with the approach you suggest, in either case we're going to be similarly constrained by the FAA about the uses at that site?

>> Bill Sherry: Yes.

>> Councilmember Liccardo: And as I understand it, those uses are largely constrained to either cargo, commercial or GA, general aviation, is that right?

>> Bill Sherry: Aeronautical, yes.

>> Councilmember Liccardo: I mean, I've come to you and asked you about models and all other kinds of uses, and for the most part the answer is extremely unlikely given what we know by the FAA.

>> Bill Sherry: Yes.

>> Councilmember Liccardo: They approved an approach for our park' and now they're saying they incorrectly granted that permission and now they're trying to take that back from us as they're fighting over land that is not even at the airport, so I have a sense about how difficult it is dealing with FAA. So we're extremely constrained about what we can put there.

>> Bill Sherry: Yes.

>> Councilmember Liccardo: Our options as you've described, there is cargo and there was no interest three or four years ago when the market was better.

>> Bill Sherry: That's correct.

>> Councilmember Liccardo: Given fact that we have several empty commercial gates today and are striving mightily to fill them.

>> Bill Sherry: That's correct.

>> Councilmember Liccardo: So then it really leaves us with general aviation.

>> Bill Sherry: That's correct.

>> Councilmember Liccardo: And it seems to me that as we think about what's been explored and what hasn't been, there are experts out there in the market who know more than we do about whether or not there's interest. I'm guessing those are folks that are actually in the business.

>> Bill Sherry: That's correct.

>> Councilmember Liccardo: And some of those folks in the business have actually expressed to us that they are very interested.

>> Bill Sherry: Correct.

>> Councilmember Liccardo: I think I see one of them here Eric from I believe signature airlines. Eric if you have a moment I just want to understand exactly what interest you have and how serious this interest might be, if you might be able to come down. Because I'm concerned about these suggestions that somehow or other --

>> Mayor Reed: We are going to take public testimony later, but I assume you have a question for Mr. Hitala?

>> Councilmember Liccardo: Yes, I do. Eric, the suggestion is that we could build it and they won't come. The question I have is how serious is signature about this opportunity.

>> Signature is very serious. I'm Eric Hitala. I'm the western regional vice president for Signature Flight Support, and I've been a participant at the ad hoc meetings for more than the last year. And just to demonstrate our interest, our company president Michael Shiringa, who has been with us now for more than three years, within his first 30 days in office came and met with airport staff, recognizing how important San José is to the signature flight support network. I think that's the ultimate testimony. And in terms of signature, our parent is BBA aviation, a publicly traded company on the London stock exchange and as a publicly traded company we are very deliberate in the opportunities with in which we pursue, this is one we want and we want very badly.

>> Councilmember Liccardo: Assuming nothing happens with this runway that you're restricted to the smaller space how much investment would you need to make in order to make an FBO operational?

>> It depends on the deal, of course but as I publicly stated at the ad hoc meeting signature is prepared and has cash at hand to spend more than \$30 million on a LEED certified facility and that would bring construction jobs and ongoing high paying aviation jobs.

>> Councilmember Liccardo: I appreciate, thank you for your insight, obviously I've heard this before because I've been at these committee meetings. We've heard you articulate the fact that you're interested. I know there are problems, generating business at the airport. I know we've had approximate generating commercial business and I had questions about really is there going to be business at the GA level and clearly signature has demonstrated a willingness to step forward. I would imagine there are others as well and we've got a process that's going to allow signature and a lot of other companies to vie for this. I think we need to recognize what the cost of indecision is here and we've borne that cost in so many ways here in the city. We see that in every way and that's one of the reasons why people are rising up for CEQA reform in Sacramento. Because the cost of indecision is so great in our economy in California today that we are stalling and stalling and stalling until every possible rock is looked under before we make any decision no matter how calculated or well examined that risk may be. And Bill when was it we first considered adding an additional FBO on the west side, when did anybody at the airport first study that possibility?

>> Bill Sherry: It was before city council ultimately made the -- approved the master plan amendment in 2010 but we were exploring it in 2008 and 2009.

>> Councilmember Liccardo: Right, so this is now we're in the third or fourth year of this effort.

>> Bill Sherry: Right.

>> Councilmember Liccardo: I think at some point we need to recognize after the fact that this has been clearly - this has been environmentally cleared, the activity level is well beneath the envelope that the IR provides environmental clearance for. This is something we've been studying for three or four years. We've tested the market for three or four years. This seems to be the best horse to ride and if not we'll find out from the RFP because we'll be getting proposals from other folks who hopefully will have better offers than Signature can offer, and we'll be able to take what's best for the airport and within the limits of the law and FAA allow. So I think we need to recognize the cost of that decision when we decide that we need a planning first approach. There are

good reasons why Planning Commissions don't run airports is because this isn't any other land use decision. This is a highly constrained land use decision made within restrictions of FAA as well as the airport master plan. Which has been an ongoing revision, a document that's been revised now many times over the last 15 years or more. We've got a very specific decision to make and this is not one that requires additional indecision and additional delay.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just wanted to disclose, I and my staff met with Ab base and Atlantic aviation.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you going to disclose the same two meetings with AB base and Atlantic. I'm not sure the point about signature being interested and that's wonderful and we're always interested, always supportive of businesses interested in San José. But I don't think that I should be surprised that a competitor has an interest in the market. I mean is this a surprise to you that they've been at our door looking to come to San José?

>> Bill Sherry: Oh not at all. And I would just point out that signature is a highly capable prominent FBO operator, worldwide. But we've been in touch with many others. So there are many others that are -- have expressed interest as well.

>> Councilmember Rocha: And I'll remind my colleagues of the price of indecision it is called from medicinal marijuana to fiscal emergency. I don't think asking more questions and asking for a little bit more time when I'm not compelled to make a decision is something we shouldn't do.

>> Mayor Reed: I think we're just about done with the council discussion. At this point I am going to take some public testimony. Before we do that I just wanted to disclose that in preparation of this meeting my staff or I or both of us or all of us have met with McQuarry -- representatives of McQuarry, representatives from Atlantic Aviation, representatives of AB Base, representatives of HP Aviation, representatives of signature aviation, representatives of net jets North America. And with that, I'm going to turn to the public comments. Please come down when I call your name. So you're close to the microphone. Terry bellandra, ray climber, Joan gallo. It would be helpful to speak to the motion on the floor because this wasn't the same thing we were considering in the past but it's your two minutes.

>> Thank you, Terry bellandra. First of all I'd like to urge you to contractually retain the curfew and all the new leases with a more stringent penalty other than the \$2500 for curfew violations and I'm hoping that that can be worked on. This is really about an assumption of short term gain versus well planned future growth. There just are too many unknowns and assumptions with this plan that need resolution and thoughtful planning. The main reason that staff is -- it seems that the main reason that staff is recommending an RFP for an FBO and the development first option over the planning first option was because of the airport's dire financial situation. This makes me read between the lines and ask, Mr. Sherry, so if we weren't in dire financial straits, are you saying you would choose the planning first option? The carrot for this decision of development first seems to be based on turning over a quick revenue stream, but as you've all heard the \$2 million won't be coming any time soon. Half the rent until they're built out and just an assumption of how much business will actually go there. How can such a far-reaching -- how can you base such a far-reaching development first decision on an assumption of revenue that you concede will probably not be there for years? It's like saying, it's better to keep buying more lottery tickets because sooner or later I just know I'm going to win. Are we basing our airport's future success on a hastily purchased lotto ticket? Wouldn't it be more prudent to wait until more information is known if the building footprint is 44 acres or 154 acres, the resolution of the cap lawsuit to see if you're even able to built anything without a more current EIR? To wait for a ruling of the FAA to see whether you can close runway 1129 or not that would enable you to have even double the land that we're talking about?

>> Mayor Reed: Sorry, your time is up. Next speaker is Ray climber and Joan gallo and Scott soaper -- Joan looks like you're closer come along.

>> Joan gallo with Hopkins and carleaf for AB base. First of all, AB base is a possible proposer and we support the broadening of the RFP as in your motion. We would suggest that staff take a very close look at the minimum standards, again. To make sure that there is nothing in the minimum standards that's an obstacle to your intent. Secondly, Mr. Sherry referred in his presentation to AB base as a SASO. I have a letter from the city attorney's office assuring me that those statements have no impacts on the respective rights and obligations of the city or AB base under its FBO ground lease. I would like to have that letter part of the record. I'm concerned when Mr. Sherry is no longer here, and I'm no longer here that somebody is going to look at these hearings and say that AB base is tied to SASO requirements. I'd like that to be part of the record.

>> Mayor Reed: Send that to the clerk if you will.

>> Yes I will. And I'd like to make one comment on runway 1129. You can't make a decision on it now but in most situations you give policy direction or preferred alternatives to staff, as they begin the planning process. And it seems to me that you should give them the policy direction that closing the runway and having to exercise eminent domain is not in your best interest. And you'd prefer that it be kept closed, if that turns out to be feasible. So with those three comments, thank you very much for your attention, you certainly spent a lot of time on this item. Thank you.

>> Mayor Reed: Scott soaper. Ray climber, John Allen. Carita hummer.

>> Mayor and city council, my name is Scott soaper. College park neighborhood association asked me to come down and talk today. Its noise impacts are statistically within the limits and the vision of the 1997 EIR and asks you to make a decision, artificially contained within its math. That is the wrong context. The airport does not exist in a vacuum. Because the 2012 council has a higher review standard than the 1997 EIR that was written to address what that EIR cannot be the sole basis for approval. The special relationship between the city which

inflicted the airport noise impacts and the residents who are burdened by them, created an ongoing affirmative duty on the part of the city to protect residents from noise. Now last night at the information meeting, Mr. Moss gave a number of 13 and a half flights by jets during curfew hours in the year 2027 over and above what would happen without this project. 13 and a half jet flights during curfew hours. For the neighborhoods, noise is the issue with this. The ongoing affirmative duty on the part of the city is to protect the residents from that noise. That duty to mitigate compels the consideration of all noise affecting the residents when considering development not just that created by the airport. Where in the plan before you is the sum of noise impacts from the CalTrain maintenance facility, soccer stadium fireworks, elevated high speed rail viaduct. Those were not part of the '97 EIR. You cannot meet your responsibility to residents if you don't know what the totality of the noise impacts are. To recklessly proceed with that knowledge would demonstrate deliberate indifference. The intention of the proposed project is to provide greater opportunity for jet aircraft to operate during noise mitigation curfew hours.

>> Mayor Reed: Sorry, your time is up. Our next speaker is Carita Hummer and then John Allen.

>> I think you called me next. Carita Hummer I live at 96 Fox Avenue in downtown San José and I wish to say we are the neighborhood most impacted by the airport. And in this last month when we finally did get our rains which I was hoping and praying for, we really realized that we were indeed in the departure past way under bad weather conditions. And at 6:30 in the morning boom, there it was. And so I want to say that I'm here because my husband and I both very much disapprove of any expansion of the airport. We understand the need for revenue in the city right now but we think this is premature and that there ought to be a different bottom line being considered for this project, that the bottom line should include the quality of life of our residents. May I also suggest that this impacts the whole of downtown, where there is a great deal of development taking place, where there is a great deal of hope to bring residents in, in high rise locations, and that this really does contradict that development in downtown. The impact of noise is very great in our city. And in the core city. For all the effort that has gone into the development of downtown, this is contradictory in my opinion, in our opinion. I want to say that I suffer from apnea, and to have flights be coming in during night which would also be -- which cannot be really restricted, under the -- if we got -- yes it is restricted I know under -- certainly kind of noise but certain flights could come in and I think it would be attractive to CEOs to come in and use that West Side development that could affect rose

garden Willow Glen downtown and all the neighborhoods surrounding the airport. So we definitely oppose any kind of expansion and with this RFP.

>> Mayor Reed: John Allen, Elizabeth Monley, Roland LeBrun.

>> John Allen, I live in college park. I want to thank those of you who that gave extra special attention today to planning. I think that planning happens in a larger context. We need the plan the benefit of San Jose, not just the airport. The airport's an important factor but it's just one piece of San José. Any objection to this and specifically C, 6.2 C, is that if we cater to private airplanes, corporate jets and private jets, they have two ways to buck the curfew. One is they can pull the Larry Elson card and just buy an airplane that is exactly 89 or 88.9 decibels but two, they can pay the \$2500. So for those two reasons I wish that you would find some other way to raise \$2 million a year at best case when it's fully outaffiliated. As I understand it you've already turned down an opportunity to save \$2 million a year by outsourcing the fire. I understand that's politically difficult for you because of labor unions but it's not difficult for me, I'd rather outsource and save \$2 million some other way or continue your efforts and get more daytime flights in. Anyhow, that's it.

>> Mayor Reed: Roland LeBrun, Elizabeth Monley, Eric Hietala.

>> Good afternoon and thanks for the opportunity. I'd like to expand on the remarks that I made at T&E yesterday, and that is that I support private aviation and corporate jets in particular, but that we need to completely rethink our airport in the age of high speed rail. There is no doubt that airports with a direct high speed rail connection have a competitive advantage. In San José's case the only possibility for a large high speed rail station is the western parking lot. Which could easily be connected to the two airline terminals via underground APM. The only way to eliminate the need for a third runway in San Francisco is to follow the Heathrow and Gatwig plan which is to link both airports via high speed line and turn both airports into a single virtual airport called heathwig or in our case Silicon Valley international. In closing I urge you to closely evaluate every other possible use of the western parking lot because one day it could turn out to be just as valuable as the old transbay bus terminal, thank you.

>> Mayor Reed: Eric Teitella. David harmson, David Wall.

>> Mr. Mayor, members of the city council, I just wanted to add to my earlier comments. In that in my 26 years in the industry I can say in all sincerity. This is the most unique opportunity that I have seen in all my years. I started in San Francisco. Signature's always had a desire to be here. We polled our customers worldwide in materials of where did they want us to be? San José was in the top three of worldwide locations. Our ultimate commitment is making that investment in your community. We are a publicly traded company on the London stock exchange we're rather conservative in that regard and in terms of our return on invested capital we wouldn't put this money up if we weren't convinced that this is where we want to be. We would ask for the opportunity to invest in your community. Thank you.

>> Mayor Reed: Robert harmson, David Wall.

>> Good afternoon, I'm here speaking as a resident not a representative of cap today. I would like to thank those residents of council in suppressing their interest in planning for such an important decision the staff estimated yesterday that at the end of the day this FBO will cause by their estimation 5,000 operations during curfew hours on an annual basis, so we're talking about a very dramatic shift of impacts to the community. I understand that the airport is an important resource for the whole community, and I understand that the airport is in very difficult financial circumstances. But I any the council should be reflective of the fact that the quality of life in San José is a very important reality. And it can't be changed once you add this number of flights during curfew hours. I haven't heard any comments, save and except for Councilmember Oliverio, addressing this issue. Part of the cost of this project is the cost of families that must endure the burdens for everyone else. And for those of you that have no constituents that are burdened by the airport, I hope you won't later decide that planning comes second and development should come first in your communities. Because it's a very bad precedent. So I hope you'll consider the quality of life for tens of thousands of people who make their lives here. And when you understand 5,000 flights annually, you're talking about a very substantial erosion to their quality of life. Thank you.

>> Mayor Reed: David Wall, our last speaker.

>> I'd like to thank our good friends from the airport, their jobs are very well appreciated and the problems you face are basically the direct and proximate cause of council gambling with flawed economic calculations for growth. Furthermore the community for economic development and office of economic development have failed in their respective jobs for not making San José an interesting place to come here. With reference to the who pays the costs for the loss of future revenues, from let's say Atlantic aviation and others, the cost of eminent domain, and how this is integrated into the cost per enplanement. It would also be very interesting to see published at a variety of committee meetings, the fiscal year 12 through 16 debt services, with reference to airport projections. And lastly we got to talk about the inducements for ANA to come, all Nippon airways to come to San José, whether it was in their own best interests to come or whether the City of San José started waiving fees to induce this, based on the same flawed economic calculations that land us here today on the verge of possible financial collapse of the airport. The issue of curfew that was raised by several people needs to be fully fleshed out as to what the curfew is. Many people don't understand that when they're woken up by jets let's say Friday March 30th at 0606 hours, and 11:37 at night those aren't curfew violations yet they're woken up. If they're not woken up they were woken up Saturday morning at 0615 hours by another jet possibly a corporate aircraft.

>> Mayor Reed: Sorry, your time is up. That concludes the public testimony. We have some councilmembers who have additional comments. We'll come back and do that now. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Hey Bill, in terms of the impacts of additional flights and noise, I know that there's been an awful lot of study of this going back to the EIR I think in the original airport expansion plan in 1997. And again and again and I think most recently in 2010. Can you tell us something about how the level of activity, flight activity and the most extreme scenario, that is at the highest level of activity of the use of an additional FBO on this site compares to whatever we've studied and what's been environmentally cleared previously, that is, how do we compare the worst case scenario that is for people in terms of their concern about additional flights and noise, what may happen with an RFP with an additional FBO if it's an additional FBO with what's been already studied and environmentally cleared?

>> Bill Sherry: Councilmember, I'm not entirely sure I understand the question but I think it's important --

>> Councilmember Liccardo: Can I try to rephrase it?

>> Bill Sherry: Sure.

>> Councilmember Liccardo: Okay. Back in 1997, I think we planned for something like 17 million passengers on the commercial side, and a lot of GA activity, general aviation activity. In 2010 we revised that you downwards, we're at 8 or 9 million passengers and the level of general aviation activity, the level of flights my understanding is still significantly below whatever it was we were planning in 1997 that we environmentally cleared when people made the decision to expand the airport 15 years ago. I was hope you could give us context about decisions that were made a decade and a half ago for those who believe somehow or another that we're rushing to decision about airport expansion.

>> Bill Sherry: Well, yes, everything you said is correct. I think for whatever the reason, a lot of forecasts, a lot of the decisions that were made were very much on the high side in terms of passenger activity, flight activity. We completed mitigation based on those assumptions. Spent \$160 million sound proofing 2700 homes. And what the reality is, is both with the commercial side, as well as the general aviation side, and cargo, that those assumptions now are proving to be far too large. And so our noise could be tours have shrunk well below what was originally forecasted. I think the forecasts that we have now are much more realistic but I think we should take comfort to know that we've mitigated homes far beyond the 65 CNEL which is usually the line used to determine where mitigation occurs and where it doesn't. So I think the noise contours that -- and the assumptions and the traffic that we forecast now is a much more conservative, realistic foresights as opposed to what was previously approved.

>> Councilmember Liccardo: So if an FBO moves in and they're wildly successful and there's a lot more flights --

>> Bill Sherry: It still fits within those contours. People are trying to connect that FBO with additional flights. We don't do that. We just look at the growth of the community. We look at the growth of business and we make assumptions based upon the flight activity that the population is going to drive. Not necessarily just because an FBO is there or isn't there.

>> Councilmember Liccardo: In other words if you didn't have another FBO there might be the same level of activity if they're just a lot busier.

>> Bill Sherry: Exactly.

>> Councilmember Liccardo: So I think that's an important context because what I see this step is the possibility of introducing competition at the airport where it didn't previously exist.

>> Bill Sherry: Correct.

>> Councilmember Liccardo: And others who may be critics of this view, this is some great expansion of airport traffic and capacity which it may or may not be, we'll find out, but in any event whatever increase in flight activity is going to be substantially below what we've studied repeatedly since 1997 and what has been environmentally cleared.

>> Bill Sherry: That's correct.

>> Councilmember Liccardo: So this is not a decision today to somehow go forward to expand, vastly expand operations at the airport. Those decisions were made 15 years ago.

>> Bill Sherry: Correct.

>> Councilmember Liccardo: I think it's an important context and one that's often lost. You mentioned \$160 million spent on sound proofing how many homes?

>> Bill Sherry: 2700.

>> Councilmember Liccardo: 2700. And then finally on this issue about why I asked the gentleman from signature to comment, the comments were made several times on the dais that somehow or other we don't know that whether or not there is even a private market out there to be interested in expansion in commercial or rather general aviation because obviously we're having a hard time in the commercial market. And so the whole point in asking the gentleman to come forward was to substantiate the motion to simply whether or not we build them and they may or may not come. There's obviously interest in the private sector of making this happen. I think we need to recognize that. Obviously, I want to continue to work collaboratively with my neighborhoods and anyone who is concerned about the impact of the flights.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor. And I appreciate those who have concerns about the noise. If you live near there, I mean, I don't even live near there but the flights come over my house and I can hear it. I also hear the train whistle so I get a little bit of everything of the urban sounds. I appreciate Councilmember Liccardo the fact that FAA rules will apply regardless, so that's helpful of all of us to know, I think I was under a different impression. I appreciate the clarification Bill. In regards to the -- I'd asked questions earlier about the cost, the revenue we'll get from leasing and there was an indication that basically by year 2, it would be \$1.35 million in rent and leases, in lease amount. But that's the assumption that it will be fully leased out. And so would we not go forward unless we knew it would be leased out or is it -- is that just an assumption, based upon market analysis?

>> Bill Sherry: No. I -- let me clarify. The land lease is paid, whether there's -- there could be no planes there or they could be fully leased out. They are still responsible for the land lease.

>> Councilmember Kalra: Okay. So whatever party comes in and says we're going to do the FBO that's a done deal, no matter what. There's a guarantee in generation of revenue for both the airport as well as for the city General Fund.

>> Bill Sherry: That is correct.

>> Councilmember Kalra: As far as property revenue.

>> Bill Sherry: That's correct.

>> Councilmember Kalra: What we can't rely on -- we're basically not going to move forward unless we are certain we're going to get that?

>> Bill Sherry: That's correct.

>> Councilmember Kalra: The piece that we can't guarantee or is of most uncertainty is the fuel flowage revenue.

>> Bill Sherry: That's correct.

>> Councilmember Kalra: That is where much more market dependent and much more difficult to gauge.

>> Bill Sherry: That's correct.

>> Councilmember Kalra: I appreciate that clarification as well, and in terms of just timing, when I look at the time lines you lay forth for the planning first approach versus the RFP first approach, one of the issues is, either way we get through the safety risk assessment pursuant to the FAA regulations, we have to -- the SRA has to be done. But the SRA being done does have an impact on whether the runway 1129 will be in operation or not or

whether we can tear it down or not. And the SRA plays a role in that and that's why if we went out on an RFP we wouldn't necessarily know, we would be going with an RFP not knowing whether the runway would be closed or not?

>> Bill Sherry: That's correct, but again, I've stated before I don't see that there's a link between the two. In other words, the development of the FBO can proceed, and it can be accommodated whether the runway stays or whether the runway goes. But you're correct, the runway -- or the safety assessment plays a large part in determining whether that runway can stay or go.

>> Councilmember Kalra: And does it play impact because the FBO contemplates the 15.5 acres and not the full 44 acres or either way does it not play a role?

>> Bill Sherry: That's correct, the original 15 acres was determined so that it doesn't intrude or inhibit our ability to either keep the runway open or close the runway. We do anticipate that at a later time we would add another five to six acres on. Now if we're going to explore all other uses and potentially 44 acres, then that could have an impact on the closure or keeping the runway and we have to assess that when we see the proposals when they come in.

>> Councilmember Kalra: Okay and I think that again, so you know there's a market in three years, or I guess 2014 is an estimate, two years, there's a market in two years we can imagine, in two to three years after that we had hoped there would be a market as well then, but the more importantly is how we're going to develop the entire 44 acres, not just piecing out 15.5 so we can get some quick revenue, and then do a planning process after that. So I think I made that clear to you Bill, but I do appreciate the thoughtfulness you put into the process. I just think differently as far as how we should proceed with this, thank you.

>> Mayor Reed: Okay, I think we're done, ready to vote. I would just like to get the last word. Which is: This is not a planning decision, it is not a contracting decision, it is not a leasing decision, it is just a chance to test the market. All that has got to come back and we can decide then what direction we really need to go, but first we got

to find out what the market will tell us. And that's why this is here. On the motion made a long time ago by Councilmember Pyle, on the motion, all in favor? Opposed? I count one two three four five opposed that was Kalra, Oliverio, Chu, Campos, and Rocha opposed so it passes on a 6-5 vote. So we'll see you in May at the airport competitiveness ad hoc committee, is the next time we'll take this up. Thank you very much. That concludes our work on item 6.2. Don't go away, airport staff we're going to take up 6.1, the report on request for proposals for airport parking operations and management and in-lot parking shuttle services.

>> Bill Sherry: There is no staff presentation. I will just say that Ampco has been the service provider since 2002. They have done a good job. This is a new RFP. This new contract shifts the management more to our management contract, saves the airport \$55,000 a month in cost. I would recommend approval.

>> Mayor Reed: And we have a motion from Councilmember Liccardo to approve, second from Councilmember Pyle. No cards to speak. Nope, I'm sorry, I have one card, Mr. Wall.

>> I am not here to dispute learned aviation director's pursuit in this matter. I just have a unique idea that should be put forth, for example is there been thought of creating a hybrid model for parking control at the airport? For one, using city parking control people, in addition to the utilization of the valley transit authority for shuttle aspects. This is a very lucrative contract of over \$13 million for three years with a five-year extension, total of eight years, as we sit or stand here today. By using a hybrid model, you would be able to capture overhead costs for let's say the debt service of City Hall or other debt services. And I think that parking control, if properly managed, with the hybrid model, with the valley transit authority, in consideration for such participation, give ecopass to the seniors for their access to the senior program, and for city employees, could be an inducement that is worthwhile to look at versus just going with the status quo. This does not mean any disrespect for learned airport staff. Thank you.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve the recommendation report et cetera. On the motion, all in favor, opposed, none opposed, that is approved. Item 3.1, was report of the City Manager. Is our next item.

>> Debra Figone: No report today, pair, thank you.

>> Mayor Reed: 3.4 resolution amending the council's rules of conduct of meetings. Request from the public to speak, we'll take that now, Ross Signorino. 3.4, the resolution of rule of conduct of meetings item 4.1 will be next.

>> Mr. Mayor, members of the council. Sorry to keep you waiting here. I notice during the airport conversation that some of you made some disclosures that you spoke to somebody or had some communication with somebody. Or someone that's interested in the airport. And Mr. Mayor, since you came into office, during your swearing-in ceremony, you mentioned that you were going to insinuate or try to instill into the council and yourself as well about open government, and transparency. Well, I think we should go a step further. Those people that are running for office, sitting on the city council, and people who are running for reelection, if you had conversation or some communication with people that you were going to bring some legislation to this body, then I think, too, even though before you were in office, had nothing to do with the office at the time, I think again, this is transparency, this is disclosure, and it's important that you say that, too. Even so, you have to volunteer it, even when you get sitting on that seat there. And if you're elected to that office. So I think transparency and open government is something that the whole nation can use. And I think that's good that we try to instill that, even in the people that are coming into office. Thank you.

>> Mayor Reed: That concludes the public testimony on this matter. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. Question for the origin of this. I see the necessity here on the Redevelopment Agency references but the other ones, what prompted these changes and modifications?

>> City Attorney Doyle: Councilmember, the -- well, the Redevelopment Agency, it's obvious, and occasionally and usually it's every year or two we look at the rules resolution and where changes are or should be made we come back with the recommendation. In this case there were two areas. One we focus on the redevelopment and successor agency issues. But separately the Rules Committee had to express some concern about the fact that

council meetings, setting land use items for evening sessions you were locked into an evening session. So there may be one item or a consent calendar and you'd have to show up at 7:00 at night just to hear a five-minute item. We wanted to put the flexibility into it so that could be noticed for 1:30, everything could be noticed at 1:30 and Rules would set the agenda to say that if we have enough items we would have an evening agenda or not. We wouldn't defer it to a future evening session or show up for that one item. The other thing we wanted to clarify issues. One of the sessions was committee meeting and if you have three members on a subcommittee can the committee take action on a 2-1 vote and bring it forward and we want to make clear, yes you can. Those are clean up, sort of more of a housekeeping.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: All right I think that's it, is there a motion? I've forgotten. We have a motion to approve by the Vice Mayor. On the motion, all in favor, opposed, none opposed, that's approved. Item -- that's the end of the 3 section. Moving to 4 section. 4.1, public hearing on the draft consolidated plan, annual action plan for 12-13. Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor, I have to recuse myself from this item I'm on the housing trust board.

>> Mayor Reed: All right. Leslye is here to talk about this. Are you going to make a presentation? I can't remember if this is the first time or second time we've heard this. Enlighten us.

>> Leslye Corsiglia: Thank you mayor. Leslye Corsiglia, director of housing. No this is the first time. We will be back to you I think it's May 1st for the actual approval of the consolidated plan. This is an opportunity for you to ask any questions this early in the process or for the community to provide public testimony. We will be taking comments throughout that period and we will be coming back to you with information that describes all of the comments that we've received. We also make changes during that process if we receive comments that require a

change to the plan. So I don't have a formal presentation today, but just opening this up for discussion for the next 30 days.

>> Mayor Reed: All right. It's open season on consolidated plan. It's a 30-day season, right, at least. So we'll just take public testimony at this time and get any council questions or comments so the staff can work on them during this interim period. Councilmember Campos.

>> Councilmember Campos: Yes, thank you Mayor. Just real quick Leslye. You know, I was reading the six criteria or categories. And there's a number of CBOs that provide very essential services. I know that the Department of Housing and urban development they're pretty particular with the CDBG funds where you fall into. Can you point out, is there any flexibility here or any room here where we can see any of our essential services? For example there are CBOs that provide senior you know care. Where would they fall? I'm thinking they would fall under 3, support activities that assist with basic needs. But you know I'm just so concerned that this is so narrow that we're basically administratively pushing out service providers.

>> Leslye Corsiglia: So councilmember when we came forward in January with the sort of the plan of how we were going to go forward with the consolidated plan this time and we described the different pots we have to work with, services, we're only allowed to use 15% of our funds for services. And so we did carve out some for seniors as well as some for different services at that time. And so we were funding and recommending 200,000 for senior services. Clearly there's more need than that. The other thing that I should say is, the council did direct that the administration look at increasing that 200,000 to 400,000 and that's something I believe we're going to come back with in the budget during the budget process.

>> Councilmember Campos: So would you be working with these organizations as to -- because when they're writing these proposals, I've been on the other end. The evaluators will look at anything to just you know kick the proposal out. Because there's not enough money. I'm not saying that that's the intent, but to make sure that they are checking off the right boxes, where they're going to you know, how they're going to qualify themselves to even put in an application, would you be doing that through your workshops, and those bidders conferences?

>> Leslye Corsiglia: Right, we did have a conference or meeting that was required attendance for anyone who was applying and then we've had a series of questions and answers that we've posted online to help the applicants. The applications have already come in, they've already been scored and this is our recommendation for how to use those funds.

>> Councilmember Campos: Okay.

>> Mayor Reed: I've got some requests to speak. We'll take that now. Michelle Schroeder, Colleen Hudgin, David Wall.

>> Good afternoon. Senior adults legal assistance provides free legal services to San José seniors targeting clients that are low income or at risk. We provide services at 11 city operated community centers in every council district, and at John XXIII and East side centers. SALA has received CDBG funding for 28 years to support our services in San José. Due to a shift in funding priorities, Sala is not recommended for funding next year. Unless other funding is received SALA will not be able to continue appointments at seven of our 13 community center locations in San José next year. Those sites are: Almaden, Berryessa, Camden, Cypress, Evergreen, Mayfair and Seven Trees. SALA will have capacity to provide services at only six sites, Roosevelt, Alma, John XXIII, Southside and willows. I should note that many of the community centers in San Jose currently book Sala appointments two to four months in advance. We understand one-time funding has been set aside for senior wellness and safety net services. We hope that funding will be available as of July 1 to mitigate service reductions at Sala and other programs losing CDBG funding. Thank you.

>> Mayor Reed: Colleen Hudgin David Wall.

>> Honorable mayor, councilmembers, I am just delighted to be here to just say thank you, thank you, thank you. Live oak went in with a consortium of four agencies, that include Catholic charities, day breaks, Alzheimer's activity center, UIKAI and we are the four programs that serve the most frail most vulnerable dependent seniors in

the City of San José. We serve seniors county wide. Between us we have about 150 years of experience providing services to frail at-risk seniors in all of the districts that need 24-hour nonmedical care, and they are lovingly cared for at home by family members. And there are no weekends, no holidays, no breaks, without a program like ours. So Monday through Friday, from 5 to 10 hours depending on which agency per day, seniors come in for stimulation, for nutrition, we provide specialized transportation for seniors who cannot use even the subsidized outreach transportation due to their dementia or Alzheimer's or other disabilities. We are excited about the fact that we were funded at \$100,000 and that we are going to be continuing the services to your most frail residents. We are on any day have seniors coming in we welcome them we love them, we have music therapy, art therapy, pet therapy, intergenerational therapies, we have middle school kids, high school kids, college kids. So at our centers we bring the community in, and seniors are removed from isolation, they're health improved, they feel good about themselves. Who do we serve? Doctors, lawyers, firemen, scientists, engineers, even recently got a city council member, ex city council member it's down in Morgan hill but still I shared the story. Our work we do in the city it is an honor and privilege to provide on behalf of your residents. Bee just want to say thank you. I have the other members from the organizations that we are representing as a part of this consortium and I just want to say from the bottom of our hearts thank you on behalf of our families and our clients.

>> Mayor Reed: David Wall.

>> Once again I'd like to enter into the record, thanks to the zeal and dedication of our director of housing. If I said before if all our directors had that same zeal we'd be better off. There are always questions that I have about public housing projects. I don't really support them. Except for, are they to the exclusivity of United States citizens? These are taxpayer funded housing. And I'm just wondering, since we've heard several senior issues today, if we've run out of American senior citizens, and we're starting to house foreign nationals that are either legally or illegally here in the nation? Furthermore, gets to the issue of law abiding and good standing in the community. Are we going to be housing quicked felons, sex oners, murderers, gang bangers? I mean exclusionary housing practices which I've never accepted as being honorable, has a unique application here. Because once again, you know, have we run out of good and decent United States citizens especially those

coming home from the war, the two washes, actually, that need housing and are displaced by foreign nationals, legal or illegal, and felons? So it's something for you to consider. And once again, I give thanks again for due diligence and dedication to our housing director.

>> Mayor Reed: That concludes the public testimony. We're taking no action today. This is the beginning of the process. We have the comments, we appreciate that so we will move on to the next item. Which would be item 4.3, actions related to 1st and Rosemary family apartments and 1st and Rosemary senior apartments. I have one request from the public to speak. We'll take that, Mr. Wall. We have a motion to approve.

>> The previous comments that I have begin are very applicable to this project. First of all, the city is.

>> Councilmember Pyle: Occurring an enormous amount of debt. I suspect over \$50 million with both projects. But let us look at first the mechanics of maintaining tax exempt status. Are we going to put the onus of someone's economic background onto a third party such as the people who will be managing this project or these projects? I shake my head no primarily because a 55-year commitment, none of us that sits in this room will be around. Okay and yet forensic accountants can go back for years, decades to find out anomalies. It is foreseeable if not predictable that corruption will proliferate with this type of project, and that's why this type of project should just be completely abandoned. Not to mention, it is going against the Green Vision, Mr. Mayor. Because it, like all land use decisions of late, all of North San José, all of the housing departments, or developments, have one string in common: They intentionally do not provide parking for cars. They rely on on-street parking. As a matter of fact it's getting so commonplace that it's integrated into the language that you can park on the streets and therefore, you integrate in the municipal regional storm drain permit and the almost impossibilities of staying within compliance.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve. All in favor? Opposed? One opposed, Councilmember Oliverio. Motion passes, taking us to the open forum. Mr. Wall.

>> This is an issue Mr. Mayor, that is going to be probably one of the most toughest ones for this council to figure out. How to proportionate the cost of the South Bay water recycling program back to all individual property owners. This also may be the death knell to the advanced water treatment program and other assorted programs that have flowed by the misuse of the sewer service and use charge. It is not to be to your surprise, Mr. Mayor or madam Vice Mayor, because this citizen has warned you repeatedly that the treatment plant advisory committee, a committee that this citizen has been attending since 1992, so it is not without surprise to you, sir, and madam, that both entities, the Cupertino sanitary district and, of late, the City of Milpitas, have voiced opposition to fund this program in part, if not in toto. So we then asked the bigger and broader question, at what time will the West valley sanitation group decide to pull out, county pockets 2 and 3, and I, as I stand here today, formally wish to not support the reclaimed water project on my sewer service and use charge, and I hereby ask the city manager to direct staff to find out the apportionment cost on my property. Furthermore I will be asking for rebates all the way back to 1992, and other damages not calculated or mentioned forth today. Thank you.

>> Mayor Reed: That concludes the open forum, concludes our meeting, we're adjourned.