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>> Mayor Reed: (gavel strike) Good afternoon, I'd like to call the San José city council meeting to order for February 8, 2011. We'll start with an invocation. Councilmember Kalra will introduce the invocator.

>> Councilmember Kalra: Thank you, Mayor. Today I'm happy to introduce Dr. Vineet Sharma with the Hindu American Foundation. Dr. Sharma is a Bay Area native, graduated from Berkeley, and did his residency at Stanford University. He specializes in neuroradiology and has practiced at O'Connor Hospital here in San José for the past 12 years. He also serves as the government outreach coordinator for the Hindu American Foundation. The Hindu American Foundation is an advocacy group seeking to provide a progressive Hindu American voice. The foundation interacts with and educates leaders in public policy, academia, media and the public at large about Hinduism and global issues concerning Hindus, such as religious liberty and human rights. By promoting the Hindu and American ideals of understanding, tolerance and pluralism, HAF stands firmly against hate, discrimination, defamation and terror. Dr. Sharma, thank you for joining us today.

>> Honorable Mayor Reed, honorable councilmembers, thank you for this invitation. I would like to recite an ancient Hindu invocation first in English and then in Sanscrit. This invocation is at least 5,000 years old but it is commonly commonly used today. The original Sanscrit text is completely unchanged in thousands of years and the pronunciation and intonation are also unchanged. This invocation incorporates the main themes of Hinduism which are unity and harmony. The unity or oneness is the fundamental concept of Hinduism. The oldest text of Hinduism is the Rig Veda which is over 7,000 years old. It states the following principle. Truth is one, the sages call it by many names. Hinduism is not just monotheistic but it is monistic, believing in the fundamental oneness of everything material, and spiritual, man, and God. This is why some words like ohm cannot be translate and can be known only through realization. Ohm represents the absolute unity of all of existence. The invocation in English is as follows: Ohm, let all of us protect each other. May all of us nourish each other. May all of us work together and not find fault in each other. May our study and work be a source of inspiration, let there be no misunderstanding between us. Ohm, peace peace peace. In Sanscrit it's as follows: Ohm [Speaking in Sanscrit] thank you.

>> Mayor Reed: Thank you and thank you for joining us today. Our next item is the pledge of allegiance. We'll be led in the pledge today by the de Vargas elementary school third graders from District 1. Welcome and thank you for joining us. [pledge of allegiance]

>> Mayor Reed: First item of business is the orders of the day. We need to make a couple of changes from the printed agenda. First is to add a commendation to Marina Moustakas. The second is to take up the Redevelopment Agency agenda before the consent calendar and allow our staff to move to another meeting. Any other changes on the agenda? Motion to approve the orders of the day. All in favor? Opposed, none opposed. We will adjourn this meeting in memory of Dorothy May Santos who will be remembered as a loving mother and friend. Dorothy was deeply rooted in the town of Alviso, and her generosity and passion to her community will not be forgotten. I acknowledge and thank Richard Santos for joining us here today. He has served us, as well, and does honor to his mother with his community service. Councilmembers Campos and Chu have some additional words. Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Dorothy May Santos passed away on January 13th, 2011. She was 86 years old. Dorothy was brought up in a traditional Portuguese family on a pear orchard on North First Street. Shortly after graduating from Santa Clara High School, she married Tony P. Santos. Tony and Dorothy shared a happy marriage for 61 years. Together with hard work, and little resources, they bought property in Alviso and started the Santos property management business. Over the years, they developed this tiny business into an extremely successful business venture. In addition to being a wife, mother, and entrepreneur, Dorothy enjoyed listening to music, reading books, playing the piano and planting beautiful flowers around her home. Dorothy will also be remembered for always giving back to her community. She often gave to a variety of charities she was committed to. She was truly an advocate for her community and the backbone of her family. Dorothy will always be remembered as a loving mother to her children, Richard Santos, Tony Allen Santos, and Toni Lynn Robinson. I share my deepest condolences with her family and to all those who had the honor to know Dorothy.

>> Councilmember Chu: Thank you, mayor. I too wanted to add that Dorothy Santos was a strong woman with great kindness and generosity. She dedicated her life to make sure her family had all the opportunities she didn't. Dorothy Santos had a great part in her community and an integral part of district 4. Dorothy's efforts have touched many people's lives in Alviso where I represent and have provided hope and positive motivation with those with whom she interact. May her memory and legacy forever live in our hearts and mind. Dorothy was highly respected and admired within the Alviso community. She will be missed by all of us. Her family and director Dick Santos is here to honor us with being here today to join us in remembering her. So thank you very much, director Santos.

>> Mayor Reed: Thank you, Councilmember Campos and Chu and thanks Richard Santos for joining us. Next item on the agenda would be the closed session report. City Attorney.

>> City Attorney Doyle: Mr. Mayor, the council met in closed session this morning. Pursuant to notice. There is no report.

>> Mayor Reed: I'll take up the ceremonial items. I'd like to start by inviting Councilmember Liccardo, Scott Knies and Art Bernstein to join me at the podium. Today we're commending the San José downtown association for its 25 years of work to enhance downtown's vitality and livability. Councilmember Liccardo has some of the details.

>> Councilmember Liccardo: Thank you, mayor. It was 25 years ago as I understand that many downtown businesses were facing the destructive impacts of light rail coming to downtown and several business owners got together and said, we need to figure out what we are going to do about all this. So a group of business people did get together. Art Bernstein I think wasn't old enough, I think you were only four or five at the time. But there was a fencing instructor by the name of Scott Knies, a lawyer by the name of Chuck Reed, a restaurateur by the name of Marcelino Castillo, a publisher by the name of Dan Pulcrano and a few other folks who got together and formed this association. It was a volunteer group at first, and eventually they managed to hire an executive director and, that man is standing with us today, Scott. In those 25 years, since the San José downtown association has filled our downtown with extraordinary vibrancy, with wonderful events that we all know well from music in the park to

downtown ice, the iconic skating under the palms, starlight cinemas, the movies we see outdoors on post street, San Pedro, farmers market on Fridays, most importantly the zombie crawl. Critically in times of fiscal crisis the downtown association has stepped up as well and recently I should say really three or four years ago as the city was facing so many challenges the downtown business owners got together and figured out that they want a cleaner, more beautiful, safer and friendlier downtown and formed a property based improvement district and Scott and the downtown association led that effort. And as a result we've replaced graffiti with beautiful flower boxes and wonderful streetscape improvements as a result of the sacrifice of those business owners and the leadership of the downtown association. But more than anything the downtown association has really developed a strong sense of community in our downtown, among residents, business people, the folks who simply frequent and enjoy the downtown for the arts and theater. This has been a wonderful organization for bringing people together and we're so grateful to have their leadership here for 25 years. And I also want to thank Helen Hayashi who has been a long time supporter and has been working with the downtown association for several years. With that I'll ask the mayor to present the downtown association and Scott Knies with the commendation.

>> Mr. Mayor, it's a pleasure to address a former president of the downtown association and Councilmember Liccardo, thank you for arranging for this commendation. It's been a terrific 25 year partnership with the City of San José and although we're celebrating our silver anniversary we'll continue to make the downtown experience a golden one.

>> Mayor Reed: Now I'd like to invite Councilmember Chu and our various Chinese school representatives and Viet Gnu Ven Leng representatives to join me at the podium. Come on down. Today we're celebrating -- well, not just today, but today we're commemorating the fact we're celebrating the lunar new year in the City of San José. The celebration goes on quite a bit longer than just one day.

>> Councilmember Chu: Well, happy new year, the Chinese would say Gong Hai fat Choi. In Vietnamese it's chun num nemoi. I would like to thank the mayor and Vice Mayor Madison in joining me in commemorating January the 28th of 2011 in celebrating the lunar new year. The City of San José's greatest strength is its diversity, coming from all different parts of the world, bringing with it the celebration of traditions and festivities, the

understanding of various cultures. The lunar new year or the Chinese new year, the Vietnamese Tet festival is an important time for celebration and fresh start for many around the world. Here today, to accept this on behalf of all that celebrate the lunar year, in the City of San José, is the Berryessa Chinese school and Van Lan Vietnamese language and cultural center. Both schools are monumental to the City of San José for they are the infrastructure and future of our children. And are here to symbolize the culture that we all have all brought to the City of San José. Both schools aim to enrich the quality of life with Chinese and Vietnamese heritage for our children, provide an opportunity of learning a second language and enhance a multicultural understanding and diversity in our community by educating the public on the variety of community issues and services in San José and Santa Clara County. In closing, I'd like to wish you all a very happy new year, best of luck and happiness and good fortune in the year to come. Thank you very much and I will ask the mayor to present the proclamation to the representative from Berryessa Chinese school, Tony Chan, the principal, and also from the Won Lan educational center. Thank you very much. [applause]

>> Mayor Reed, and all the councilmembers, and ladies and gentlemen, good afternoon. I'm Tony Chan, the principal of Berryessa Chinese school. Today it is our honor to be here to accept the proclamation from City of San José. On the behalf of the Berryessa Chinese school I would like to thank the councilmember, Mr. Chu to recognize our commitment to preserve and reach diversity, a city by hosting of Chinese new year celebration. In the past 31 years, Berryessa Chinese school will have mission is not only to create a great opportunity to learning the Chinese language and the cultures, but also, to enhance the multiculture, diversity and understanding in our community. We promise we will continue to do so to achieve our goal and also, create very good for communities. Finally, I would like to thank the Mayor Reed and the all councilmembers to create a good opportunity and environment for us to contribution our final contribution. So thank you so much. I hope everybody have the wonderful happy Chinese new year, and Gong Chi fat Choy. Thank you.

>> I guess he say it all so anyway on behalf of the Van Lau Vietnamese school, it is an honor to accept this proclamation from Mayor Reed, and all the councilmembers. Thank you very much and Choo Nuk Moy. [applause]

>> Mayor Reed: I'd like to invite Kim Walesh Steve Hafragy to join me at the podium. Councilmember Chu is going to stay. Today we're commending SMTC corporation for providing high quality comprehensive manufacturing and assembly solutions for San José companies and jobs for San José. SMTC is a company we want to recognize is filling a critical role in contract manufacturing for many of our valley technology companies. Councilmember Chu has some additional information.

>> Councilmember Chu: Thank you, mayor. We're here to commend SMTC corporation for providing high quality, comprehensive manufacturing and assembly solutions for semiconductor industries, manufacturing, telecommunications, biotech, renewable energy and aerospace industries. SMTC Corporation has created a manufacturing job opportunities for over 85 employees at its San José facility. As a matter of fact, SMTC corporation provide an opportunity to fulfill the mid tier electronic manufacturing market in San José. I applaud SMTC Corporation for their presence and operation in San José, and for their recent expansion in North San José. I'd like to turn it over to Kim Walesh our acting director from the Office of Economic Development to say a few words. Kim.

>> Kim Walesh: Just wanted to point out that two days ago I received notification that San José Silicon Valley now leads the nation in the regaining of manufacturing jobs coming out of the recession, and it's because of companies like SMTC that never lost faith with this place and is continuing to grow with high value manufacturing services are that such an important part of our economy's success so congratulations. [applause]

>> On behalf of our corporate officers and more specifically our associates at our SMTC San José manufacturing facility we'd like to thank the city for acknowledging our 15-year presence in the valley. And I think today simply marks a start of even closer working relationships with our friends at the economic development and how we cannot only keep but grow jobs here in the valley. So thank you very much. [applause]

>> Mayor Reed: We love that part about keeping and growing jobs here. We appreciate your business and look forward to seeing you grow. Next I'd like to invite Councilmember Constant and Marina Moustakas to join me at

the podium as we commend Marina for receiving the hellenic American professional society of California's 2011 axion award.

>> Councilmember Constant: Thank you, mayor. We honored a Portuguese American, and the Chinese new year and now we have one of our very well-known members of the Greek American community with us today. As the mayor mentioned Marina Moustakas who is right here behind me has been announced to be receiving the highest award offered by the hellenic American society. It's an honor bestowed upon outstanding persons of a hellenic ancestry who have demonstrated leadership and have made a significant contribution to their field and to the community. This year the hellenic American professional society will be honoring Marina with this award, recognizing her for her lifetime work, her achievements and her contribution to not only the Greek American community but our San José community. Marina was born in Greece and educated in Athens, and came to the United States on a Fulbright scholarship, which brought her to the University of Oregon where she became a nursing aide and graduated with a BA in sociology, and completed other graduate studies. Marina later came here to San José, where she has done and has done just a litany of things. I couldn't even list them on one sheet of paper. I'm just going to talk about some of the few highlights. One, many of you have seen the hellenic heritage institute at our History San José. She founded that organization and has been leading it for several years. She also founded a folk dance group at San José State university and also hosted and produced a Greek-American TV show. The hellenic heritage museum here at History San José is a great little oasis for Greek-Americans. You can take your children there and learn about the heritage of the Greek people. Can you go to cooking classes, you can learn to speak Greek, you can do all kinds of things. If you haven't been there I invite you to come and see us there sometime. Also, Greeks are known for their food, and for my colleagues behind me, rumor has it there might be a plate of Greek treats in the back for us, so we'll have to all check that out shortly. But I would like to invite all of you to join me in congratulating Marina for not only receiving the award, but all of the things she's done for our San José and our Greek American community, and Mr. Mayor you have a commendation to give her. [applause]

>> Mr. Mayor, councilmembers, my dear friends, and compatriots. Friends and collaborators, ladies and gentlemen, I'm humbled, honored, grateful and at the same time overwhelmed, to be here today to receive this

commendation from the City of San José. Humbled because everything I have tried to accomplish all these years was motivated by my strong desire to celebrate and share my Greek heritage with the rest of the world. And to pass this ethnic pride on to the new generations. That in itself was my reward. Honored because a prestigious government agency such as the City of San José through its distinguished mayor and its councilmembers bestowed upon me such a recognition. Grateful, because I was given the opportunity in this great country of the United States of America this blessed state of California and the celebrated City of San José, where cultural diversity is so valued, I said, I was given the opportunity to establish a small, but valuable, site called the hellenic heritage museum. Overwhelmed because this honor and recognition is encouraging me to increase my efforts, along with all these collaborators and friends who have been by my side, and to continue promoting our hellenic ideals. Mr. Mayor, councilmembers, thank you very much for recognizing our cultural identity and for being so supportive of our projects and activities. May the City of San José continue to develop and to prosper and to preserve its multiethnic character. I also want to give special thanks to my friends and collaborators who are here today, with me, I value your support and count on your continued love. And assistance. What can I say about our Pete? He is very, very special, I hope you all recognize it. And I want to thank you, personally, in addition to being a Greek, of Greek origin with five children who are there every sun at the church, he's doing all kinds of other things for the community. Thank you, Pete. You want to know his Greek name? Panaotes Kostandopolous, that's Pete. May God bless you, Mr. Mayor, the councilmembers and the City of San José. Thank you very, very much. Thank you. [applause]

>> Mayor Reed: That was worth it just to hear Pete's full name! [Laughter] next item is the consent calendar. I have a request to speak on the consent calendar. We'll take that testimony at this time. David Wall. All right, I think it's safe to cross the street now Mr. Wall.

>> David Wall: Thank you. Good to be in the presence of Your Honors. Especially your lunarship today. Thank you very much for your support for the Chinese and Vietnamese new year. This testimony today is in reference to the January 19th Rules and Open Government Committee report. Under item H-2, it lists my name as being in support of changes to the civil service rules with people that gave testimony which they had no idea what they were talking to. In other words, my name should be under the criticisms and comment part. And this offends me

greatly. Also, in this -- during this meeting, on page 4 of the report item K on open forum, and I will quote, John Mukar expressed agreement with David Wall's comments and correspondence regarding the environmental services department's appointment process in filling up position within the watershed protection division and recommended that it be investigated, period close quote. The issue dealings with cronyism and violation of civil service rulings with reference to the merit principle, the attack on equal opportunity and to my knowledge, the issue has not been investigated at all. The individual, the crony is being hired. And I take umbrage with that. Further, yesterday at T&E, which is directly related to this, the deputy director involved in this arena put forth this litter program. This litter program is -- should be reported to this council once a month, and not at the end of the year. Furthermore, the addition of homeless related activities using funds 423, the storm drain fund in conjunction with an EPA grant and matching grant from the Santa Clara Valley Water District is not in keeping with the scope and authority of this department and it shows an overall incompetence of this department and overall incompetence of the city. Thank you.

>> Mayor Reed: That concludes comments on the consent calendar. Any other items you would like to discuss? Councilmember Liccardo?

>> Councilmember Liccardo: Item 2.13.

>> Mayor Reed: 2.13. I'd like to do a travel report under item 2.5. Any other requests? Motion to approve the balance of the consent calendar. All in favor? Opposed? None opposed, item 2.5, a travel report, I want to report on my trip to Japan last week. We had a delegation consisting of Carl Guardino, Silicon Valley Leadership Group CEO, Kim Walesh from our Office of Economic Development, and Ed Nelson from the airport. We started the day, the one day we were in Tokyo, the meeting with the Nikkei, reporter from the Nikkei newspapers the opportunity for businesses in Japan to do business with San José and Silicon Valley. The main purpose of our trip was to meet with All Nippon airways CEO. We met with Mr. Ito and directors and staff of route planning to talk about the prospects of getting a direct route, San José to Tokyo and back of course. I presented a letter that had signatures from 28 Silicon Valley CEOs that are committed to make San José airport their airport of choice for business travel in support of the route, and what Mr. Guardino and I did basically was to reassure all Nippon

airways that if they decided to put a flight into San José that we would do everything possible to make sure they're successful, make sure they get into the decision makers of Silicon Valley companies, we know we can fill up their airplanes and we just wanted to assure them that the commitments that we are making are being made on behalf of the entire city and the region to be sure they're successful. The meeting went very well, we thought it went well and we got reports that they thought it went well also. Decision is not going to be made, because they are at the top of the list for the 787 but they will be buying aircraft and will be placing them into service to the West Coast and of course we want that to be into San José. We also met with James Zumwalt at the U.S. embassy for opportunities they see for Japanese companies and Silicon Valley companies to do some business. We followed that with a meeting with Hitachi. We met with the chairman of the board Mr. Yamamura and executive Vice President Mr. Takahashi, really to thank them for their investment in San José. They are one of our top ten employers. We have thousands of people working for them in San José. We appreciate their business, want them to stay here and grow here, and I thought, as long as we were in the neighborhood, we out to go thank them, which is what we did. And then we came home. So it was a very quick trip, 71 hours total elapsed time, we got excellent service from all Nippon airways, we had to fly out of San Francisco I might add since they don't yet have a direct flight from San José but there are a lot of people on that airplane that would have liked to be flying out of San José. That's something we know about our marketplace. That was the trip, that was the report, any other travel reports anybody wants to make? Can I get a motion to approve? Motion is to approve. All in favor, opposed, none opposed, that's approved. Item 2.13, Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Just a question for Betsy Shotwell. I think our office had some contact either with ESD or with you Betsy, I'm not sure. But the request was that we include within the joint advocacy federal projects list the grant we're seeking from the EPA to support the effort, the pilot project to engage homeless in the creeks to be part of the solution in cleaning the creeks and transitioning the homeless into permanent housing. My understanding is, there's some lobbying still needs to be done with the EPA and it will be some ways down the road and I know the Water District has already approved this and I was just hoping this could be added to the list.

>> Betsy Shotwell: Councilmember, Betsy Shotwell, Director of Intergovernmental Relations. The contact was not with myself. Directly, but certainly sounds like a very, very good endeavor and something to pursue.

>> Councilmember Liccardo: Okay, well maybe I will just make a motion with the request that also be added to the item. That's my motion.

>> Mayor Reed: All right we have a second as well, so we have a motion to add that item to the list. All in favor? Opposed? None opposed that's approved. That concludes the consent calendar. We're now going to take up the Redevelopment Agency part of the agenda. So that our staff can get out of here in time to go to another meeting regarding the state budget. First item on the agency agenda would be the consent calendar. We have a motion to approve the consent calendar. Any items anybody would like to pull off for discussion? No. We have a motion. All in favor, opposed, none opposed, that's approved. Item 3.1 is report of the executive director.

>> Harry Mavrogenes: I will just continue right into 8.2 because the budget item mid year review 8.1 and 8.2, instead of a separate report today.

>> Mayor Reed: Okay let's just move then into 8.1 which is the Redevelopment Agency's 201011 mid year budget review.

>> Harry Mavrogenes: Thank you, Mr. Mayor, members of the board, I want to thank you for all being supportive in some very tough times right now. As you are all aware the state, the governor's proposal is looking for the elimination of redevelopment agencies around the state. You have written letters. You have called our representatives. And you've put forth resolutions in support of the agency and most recently even the op Ed piece today which we very much appreciate that shows how much value this has added, redevelopment has added. Today I want to briefly go over with you a snapshot of where we are at mid year. And the various futures that we're facing in terms of our progress. This chart basically is a historical tax increment revenue that we put forward. As can you see, over time, the increment has grown significantly but we've had periods of increment reduction, followed by a come-back of the agency. The most significant of course was after the 2001-2002 dot-

com boom we had a bust and as you can see in the chart, significant, more significant reductions in revenue than we've ever had and more significant in the current one, in fact. And we had two very tough years after that, followed by a significant recovery. I'm not here today to look at projections in the future. That's a topic of another meeting that we'll have through the budget process for next year. But we are, again, in the first year of a downturn and we expect things to not improve immediately, either. Now, in terms of investments, the agency has generated significant economic benefits over the last several decades in our downtown, in our business districts, industrial areas, affordable housing in our neighborhoods. We have made significant investments and turned around significant areas of the city. The affordable housing program which is run through our very capable housing department has provided more affordable units than any other city I think in the state. And our rate of investment return has been very significant. And so I think we, this city's Redevelopment Agency, is an example for the whole state of how to do it right. This is a photo of Downtown San José today, and this is a photo of what downtown would have looked like without redevelopment. All the buildings that are red-lined here, basically, would not have happened without significant Redevelopment Agency assistance, including the highway system improvements, the Adobe headquarters, the various public infrastructure including the arena, the convention center and many others. Now, again today's reality is that the state has proposed to eliminate agencies statewide. And of course, because of that we've had to re-think how we use our available funds. Our capital expenditures as of January 31st, this chart by the way we just did last night to bring you as up to date as we can. Looking at the time between the mayor's budget message in October and now, we have only expended \$5.4 million in capital projects. 2.1 was for the San Pedro square urban market which was a commitment, and \$800,000 for the civic auditorium. So all the other expenditures virtually all of which we brought back to the board have been relatively minor and consistent with the direction of the mayor and the board, to slow down the expenditures during that time. Now, looking at the remaining capital budget, we've broken down the remaining funds in the various categories of encumbered projects that are contractually obligated for grant expenditures or city services. Other committed projects and you can see major commitments and city services there, too. And a remaining capital budget which is about \$5 million. So in terms of flexibility to really look at any major cutting of additional expenses, that last category is the only one you have major flexibility in. I do expect that, as every year, not everything in the encumbered and committed categories can spent during the calendar year. We will bring that to you at the end of the year and we will have a carryover balance of that. On top of the \$12.9 million cushion that we built into the

budget already. So we are in anticipation of next year being difficult, have already proposed that we have a bit of a back stop there so that we can begin the fiscal year with a positive balance. So of the encumbered and committed, as we stated in the memo, there's probably another \$5 million within that that won't be completed and will probably be rolled over. So we've shown a list here of all the projects. There are still many projects that the agency has to do that we've encumbered funds for. These are committed, and staff is working on many of these now. We have contractually obligated is really the first category. And then some grant expenditures and city services which we've listed as committed because we have an agreement with the city to continue to fund those. And then, the remaining, others, this is the \$5 million list, if you will, here, and on the next sheet that I'll show you. They're relatively smaller projects. We will continue to look at that list and try to reduce that, the expenditures on that, as well. But there you have it. There's about \$5 million worth of projects. Some of those are projects we don't want to stop, for example, the assistance to the technology industries. We've had many -- great success in creating new jobs and we have several categories within the \$5 million for that and we want to continue funding those as well. Personnel cost is the other area. Historically I want to show you that we have been proactive in reducing our operating expenditures. We did a major reduction in September of 2009 and saved \$2.8 million. Another reduction in July and again saved \$2.8 million and I want to inform you today that we will be looking even though budget calls for next year, dining of doing a major reduction, we will start looking for that personnel reduction for the next fiscal year over the next several months to get ahead of the curve on next year's expenses. Now the different proposals, the governor's proposal which eliminates redevelopment would also create successor entities to pay down that and redistribute future tax increment. There's a lot of unanswered questions on how that's going to happen, when that's going to happen. We've seen proposals where the agencies would go dark as early as July. Another proposal because of the complications has us going for another year. There are hearings being conducted this week to look at these various futures for redevelopment. We believe that we're going to put on a major effort to prevail and not go dark. And of course in that scenario we still have uncertainties. For our survival, I suspect that there will be some redevelopment reforms statewide. They may impact our ability to raise revenue. Or they may take some revenue from us. The state of course has done that several times already. So that will impact our budget, and that's an uncertainty right now. I couldn't tell you exactly what would happen. But we have some idea that there are some take aways coming. We have the county agreement, negotiations at work in your capital budget presentation today, in our cash flow, we do show the

commitment to pay some of the county funding in there. There's \$22 million in the cash flow report for that purpose. The increment numbers for next year, we suspect they'll be down again. We were at \$184 million this year. We suspect we'll be down probably about 5% again this year to around \$175 million. That will impact, again, our overall budget, as well. Proceeds from land sales are an uncertainty. We were very encouraged in an initial offering of six parcels. We received significant amount of proposals and we will be bringing those to you over the next several months to close those. We have another uncertainty which is the major league baseball decision to locate in San José. Until that's made, I can't count on any resources or revenues from that activity. But nonetheless, we have been continuing to work on land acquisition for that purpose. And I haven't counted the land proceeds in the budget picture today because they're not there yet. And when they are we will add them in. And we will advise you. We may be looking at additional land sales to bolster the budget as we move into the future. But again, today's purpose is to not look at that. But I can tell you even without the state proposal, we will face a very challenging and difficult year next year. In our report to you on the 1st of February that we did jointly with the city, the City Manager and I pointed out potential impacts to the General Fund of the agency going dark. And there is potential that some of the expenditures that we have, for example, the debt service for the convention center and/or the debt service for the fourth street garage, may have to be assumed by the city. If we go dark. And we need to look at the extent of, based on these other uncertainties some of the possible impacts we may have to the General Fund as well, as we now support many services in the General Fund and we will no longer be able to. Those are things we will be preparing for in the next several months as well for you to better understand the full picture. Our next steps, we're going to continue to monitor our expenses. We closed out last fiscal year over \$6 million in contracts that we did not expend. We did another \$2.9 million in the last several months in order to reduce expenses and we will keep looking at reductions there. We also are in a sort of contrarian way in anticipation that the state might try to impact us and close us down. We want to protect contracts, particularly those project and contracts that we have with the city. And we want to bring some of those forward to make sure that that funding is protected or tighten up the language on agreements with the city to make sure that the state recognizes those as legitimate contracts. Implementation and I said earlier of operation costs including our City Hall rent, as our space needs decrease we are going to be moving immediately on that with the city to look at ways of saving money for us. Our rent obligation now is over \$1.2 million a year. We will continue to explore other asset sales and bring those to you. And we will always be continuing to explore

grants. We have been successful in the past on a number of grant funding sources and we will continue to make an effort on that in the future. Mr. Mayor, that concludes my presentation. I'll leave it to you and council to ask any questions.

>> Mayor Reed: Thank you, Harry. We were back here talking about the agency budget back in November when we had the budget message. And a lot has changed since then. We were just trying to figure out how to develop a realistic plan for coping with economic difficulties and decreasing tax increment. And now we're looking at having to deal with the proposals coming out of the State of California to eliminate redevelopment agencies altogether across the entire state. Which of course puts local resources and local economic development and local programs at great risk. It is kind of interesting to be fighting over redevelopment funds with the State of California, since back in November the people of San José and the people of California approved proposition 22 that said the state cannot take redevelopment funds because it's a local revenue source that should be spent by local government. But nevertheless, the state is the State of California, and we're faced with this difficulty. I want to thank and compliment councilmembers Chu and Kalra for the good strong op Ed piece that was published in the Mercury News which outlines some of the strong arguments in favor of what our Redevelopment Agency has been able to accomplish in San José. And I want to commend our staff, Harry Mavrogenes our executive director and all the staff for doing all of this work under very difficult circumstances trying to manage the agency, implement the programs, as well as dealing with the economic downturn in the state of California. I know that's created a lot of pressures on you but you have all been very professional in doing a good job in trying to care out our mission as well as deal with the threats from elsewhere. The board appreciates your work. We appreciate your commitment. We know it's not easy, and we will continue to work with you to help you and be part of the solution as we deal with the folks in Sacramento or else where. But just looking back, even over the last few months we've had a lot of successes in this fiscal year, and I don't want to -- sort of the bad news out of Sacramento to go by without talking about some of the successes that the Redevelopment Agency has had. First and foremost is we ended the year 2010 with net job growth. Not huge numbers, but positive is so much better than negative. And we're much better off than many areas of the country. And that net job growth is beginning to drive some other sectors that will be very important to tax increment growth in the future. I was on a panel with John Sobrato a week or so ago and he was predicting that class A office space is going to be going up in value to

2.25 to \$3 a foot. We know that vacancies in some categories are coming down that should slow down if not stop the downward assessment trend that we've seen out of the assessor's office. That's important. Second, it's also driven the interest in building new apartments. We had 1600 permits, or permits for 1600 apartment units in North San José issued in the month of December and there are several thousand more that are likely to be issued in the next couple of months. Developers that see the market is here, they see the job growth, and they're looking to be ready in two years, because that's how long it takes to build these things out. That's good news for our tax increment probably in fiscal year 2013. So it's not going to help us currently or next year but it's really an important statement by people that are making major investments in the city about if future of our city and the future major development. We also had success in attracting and retaining major businesses. We just had a recognition of one of those today, one of those companies that's creating jobs and growing here. Many others like SunPower, Maxim, Shocking Technologies, Hospera, Triquint, Equinix, have all had major investments in our redevelopment area with assistance from our Redevelopment Agency. We couldn't have done that without a Redevelopment Agency. So not only are companies reinvesting real estate and personal property they're creating jobs. That's good for the people of San José because we have a lot of people still out of work. That's of course had an impact on our own staff as we've had staff reductions. And we're looking at further reductions based on the projections for next year's budget but we were able to extend our J.P. Morgan line of credit, the \$97 million back in November. We've been able to successfully get some bids in on real estate assets that will help us for a while. And we're not at the end of the line but we are certainly in a difficult position, which is why we wanted to have this mid year budget review. And as we said back in -- when we adopted the budget message, we wanted to have a report on the status of our propositions, assumptions and uncertainties because there were many of them. As we noted then it may be necessary to reduce operating or capital expenses during the middle of the year. As can you see from Harry's report he has already taken steps to slow down spending and that has been important to making sure we're in the best position we can going into next year, starting July 1st. And I'm cautiously optimistic that we'll be able to work something out with the governor and the legislature so that they don't continue with their plans to eliminate redevelopment agencies altogether. So with that I think we'll open it up for council questions or comments. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I first wanted to ask maybe an unfair question. I hope it isn't too unfair. Do you have any kind of a ballpark figure Harry in reference to the total jobs that have been created?

>> Harry Mavrogenes: My staff probably does better than I do, I think. Depending over what period of time. You know, the numbers --

>> Councilmember Pyle: Let's say the last five years. I can certainly wait for that answer. And I did say it was an unfair question to ask off the cuff.

>> Harry Mavrogenes: Off the chart here we have for you today --

>> Councilmember Pyle: But I think it would help the cause.

>> Harry Mavrogenes: Sure. We've listed 114,000 jobs, 25% of all San José jobs have been over the last several decades have been assisted by the agency. I don't have a final breakdown here.

>> Councilmember Pyle: I think that's great to deliver to Sacramento when we go there. And then when you mentioned you were at 184 and it will be 175, that's about a 10% decrease unless I'm not doing the math correct.

>> Harry Mavrogenes: It's -- we're anticipating 5%. It may be more than that but right now we're tracking at a negative 4.3% over the last two months with the county assessor. Now, all the information isn't in. None of the supplemental assessments have come in from projects that have been included. So we're anticipating a continual drop to about 5.

>> Councilmember Pyle: So getting the word out so people might be inspired to write letters to their representatives I think would be a positive thing. If we could -- is there a possibility that we could get some of the visuals that you've put together particularly the one showing how redevelopment has helped the City of San José? Would it be possible to get those visuals in every community center?

>> Harry Mavrogenes: Absolutely.

>> Councilmember Pyle: And then with some information about whom they might be able to contact and it would vary from district to district. But I do think spreading the word and getting more support from our constituents would be a good way to go. I just thought of that. Sorry I didn't give you that ahead of time.

>> Harry Mavrogenes: We will take that advice and do it.

>> Councilmember Pyle: Okay, thank you.

>> Mayor Reed: Councilmember Pyle I know you're heading an expedition next week so redevelopment will be on your list of concerns and I'm sure the staff will have plenty of visuals for you to use on that trip. Other questions or comments? Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Harry, I know we had a conversation about an hour ago, and I wanted to follow up with just one question from that conversation, maybe David would have some insight looking at that \$117 million in carryover balance. My understanding is it's broken down -- a bit more than \$17 million. Plus \$5 million in unexpected capital.

>> Harry Mavrogenes: Yes, sir.

>> Councilmember Liccardo: Is there -- do we have a sense of how much of that 17 or \$18 million is capital restricted? In other words is there -- is that flexible money that can be used for any purpose?

>> David Baum: Yes, sir. If we have 17 million as a carryover balance and looking at our cash flow, we would at the end of June we expect to have about \$38 million of cash.

>> Harry Mavrogenes: Unrestricted or restricted David?

>> David Baum: Of that \$38 million about \$32 million would be unrestricted based on our current cash flow.

>> Councilmember Liccardo: Okay. \$32 million unrestricted. Thank you. That's helpful. Reason why I asked is, I think as sure you know and I've certainly had conversations with Harry about this, I'm concerned about what's right around the corner. I know we all are but I'm particularly concerned, as we figure out what fiscal obligations RDA is going to be able to carry in fiscal year 11-12, I don't think we have a clear picture of that, and I know that certainly there are variables which we cannot know the answer to as we sit here today. Certainly what's going to happen in Sacramento is an enormous variable in all of this. But it seems to me that within those factors that are within our control I think it's important for the council to understand exactly what obligations the Redevelopment Agency is able to carry in the coming year and what obligations are likely to be shifted to the General Fund. Based on the meeting we had in the last week or two, I can remember a conversation that we had around the \$9.4 million in essentially city costs, City Attorney and council and other folks that are likely to be shifted to the General Fund at least in the current projected RDA budget yet we don't have any projections of what exactly those numbers are going to be. So I wanted to encourage your team, Harry, to be able to come to the council soon, as soon as possible, so that as we're starting the budget process which I know we're starting imminently as we're looking at a \$110 million budget, I think it's important for us to know whether we're staring down a \$110 million deficit or a \$130 million deficit or something in the middle. Is that something that you're able to bring forward to the council?

>> Harry Mavrogenes: I think we're going to have to bring forward that kind of analysis for you but again I put the slide back up that shows the various uncertainties and assumptions that we'll have to make. So I suppose we can go from worse-case assumptions to some medium-case and give you a range of realities that might happen.

>> Councilmember Liccardo: Yeah, and that's certainly all I'd expect, knowing there are these variables, the best we can do is offer ranges. I know that we can certainly disagree about certain details. I think that the prop 8

appeals are probably going to drive the increment numbers down lower. Particularly as we look at that first slide. Is that first slide available?

>> Harry Mavrogenes: Yes, it is.

>> Councilmember Liccardo: I think the context of that, I know I sound like a broken record on this but this is now the third year on a row where I just feel that we've been off on our projections. If you look at the recession that hit us roughly at the end of 2001 and into 2002, it is clear that the tax increment didn't bottom out until 2006-7 which is several year lag. And so I certainly recognize that there were unique circumstances in that recession but there were some pretty severe circumstances in this recession, after all it was the worst one we've had in three quarters of a century. So I think we need to be more conservative in our tax increment projections because I think it's important in how we drive decision-making both within the agency and how resources are used as well as here at the council level. Because I think we need to be painfully apparent -- it needs to be painfully aware to us -- forgive me, let me try that again. It needs to be painfully apparently to us that when we're making decisions about redevelopment dollars, we're actually making decisions about general fund dollars, as well. That there's going to be a significant shift in obligations, we don't know what the magnitude of that is. But every marginal dollar we spend on the redevelopment budget is a dollar we won't be able to spend on libraries or cops. I continue to be concerned about that. I look forward to engaging discussion particularly as we get into the budget season to try to get a better handle on what this impact is going to be because I think it's going to be awfully important for us good forward. Thanks.

>> Mayor Reed: Councilmember Liccardo, since we're in the budget session, in fact we are having a study session on the 14th to talk about the budget, I think that question you asked about the impact on the General Fund coming out of redevelopment issues is something we ought to include in next week's discussion. We don't need to know to the dollar but orders of magnitude and range of issues so we know whether we're talking about a \$110 million gap as we think or something significantly larger. I think we could probably work that into the conversation, at least give us another week to narrow it down, I think it should be part of the conversation every time we have a budget conversation until we know what that number is.

>> Councilmember Liccardo: I appreciate that mayor. I guess I recommend that we not only talk about the larger numbers that we're all concerned about but also Harry mentioned a reduction in rent, obviously, someone is going to bear that reduction in rent, that's going to come in the General Fund too. We need to be cognizant of all those numbers as we look at that picture.

>> Mayor Reed: Okay, we will work that into next week's discussion. We have room on the agenda to do that without having to revise the agenda. Councilmember Rocha.

>> Councilmember Rocha: Harry, can you give me a sense, and trying to remember exact dollar amounts or exact percentage of, the tax increment reduction? And I can't read it on my screen if you don't mind.

>> Harry Mavrogenes: Okay, the reduction this year was about 7.8% from last year. It's down to approximately 185 million and it was 200 million the year before.

>> Councilmember Rocha: And the year before?

>> Harry Mavrogenes: The year before is 200 million, the year before that I think was less -- let's see, 205.

>> Councilmember Rocha: I'm looking more for percentage, if you don't mind.

>> Harry Mavrogenes: Dave probably has the percentage, something I don't have.

>> David Baum: Yes, Councilmember Rocha two years ago it was about 202, and it was also about 202 million a year ago. It topped out at that level with supplement assessments, that's the total tax increment and supplemental assessments, and this year it's scheduled at about 185 million.

>> Harry Mavrogenes: Which is the approximately 7.8%.

>> David Baum: Approximately 7.8, 7.9% drop.

>> Harry Mavrogenes: So year to year it was basically the same for two years and then it dropped 7.8, and we're projecting it going down at least at this point another 5% and as Councilmember Liccardo noted, it may go down more, we're not sure yet, we won't know until July.

>> Councilmember Rocha: And can you compare that for me since I wasn't here last year what your projection was and how your difference is and what you're projecting the actual was.

>> David Baum: So the projection for the tax year 2011-12, is that the question?

>> Councilmember Rocha: Previous year, 10-11.

>> David Baum: In the current 3-year spending plan, the projected tax increment was to go down 2%.

>> Councilmember Rocha: Okay so you're off by 5% about?

>> David Baum: And based on what Harry mentioned earlier, that the assessor has a monthly report that indicates as of February 1st that secured value is down 4.19% from July 1st to February 1st and extrapolating that out to July 1st of next year, that's the theory by which we've come to say perhaps 4 to 5% reduction. That doesn't take into account what the mayor mentioned earlier about the growth in jobs in 2010, could very well cause an increase in personal property, and personal property represents machinery and equipment for those employees that could actually increase the personal property. So we really won't know until July 1st.

>> Councilmember Rocha: Okay. So then I guess I'm trying to put this in context and compare and talk about I guess Councilmember Liccardo's point about continued year in terms of projections. But that's not specific to the agency. We're experiencing that on the city side. In the short time I've been here we've gone up \$40 million in

terms of what we're looking at in terms of deficit. When I started it was 70 and 90 and now \$110 million. We are looking at the same situation, it is not immune just to you. I'm sure you're going to agree with that, that's not a point of a question, just a point of a comment, thank you.

>> Mayor Reed: Could you talk about supplemental assessments which basically we haven't had any which is unusual. I'm curious if we know whether or not Brocade for example or some of the other major developments that are here have yet been fully entered into the rolls and would they show up in supplemental assessments at some point?

>> David Baum: Yes we do expect Brocade, because they opened in September, and so they're -- they come at a time when the tax rolls for this current year that we're in was closed January 1st, 2010. So anything that happens between January 1st, 2010 forward, is a supplemental assessment. And we don't know that we have received those yet. We probably haven't. I think what's happening in the assessor's office is that there have been assessment appeals. We're probably down \$2 billion in assessed value on assessment appeals and that's created some rebates to some of the taxpayers in the area. So I would imagine that maybe they're taking some of those rebates and offsetting them against some of the increases that have been created by projects like Brocade and Equinix and Target and Sierra Hotel. Those kinds of projects really do add value to the tax roll during the last year but we haven't seen them yet.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Yes, thank you mayor. I'd like to clarify because I know there was some confusion around projections and what was being -- what was or wasn't being projected. My recollection, November of 2008, we had a study session, the projection was a little less than 5% for growth for team increment. Might point out as I pointed out that night or that day I should say, New York times headlines where the bankruptcy filings were up 34% and the global leaders from 20 countries met to discuss emergency measures to deal with the global financial crisis. The actual tax increment growth was half as much as projected. The follow year was 0%, that would be no growth but no drop. The actual result was a drop of almost 8% in tax increment. This year, the

consultant came in at zero percent. I was pretty vocal about the fact that I didn't think that was terribly realistic. I appreciated the fact that Harry reduced the projection to negative 2% but again we're far deeper. And I just think that as we look going forward, to assume that because the assessor says it's down 4% today and we simply use some linear relationship to get to 5, I think that's not the relationship we see with tax increment as it comes in over a year. As we saw last year steep steep drops around May or June because the prop 8 appeals were coming in. So I want to make sure we're clear about the record in terms of where we're going on this. Because there's a suggestion somehow or another that RDA couldn't have known. There was a lot of information out there, for all of us to be very well aware of what we're facing and I find a description that somehow or another we were just off by a point or two to be not very accurate.

>> Mayor Reed: Thank you. There are any requests from the public to speak on this item? Okay. Any other questions or comments? Need a motion. Motion to approve, all in favor, opposed, one opposed, Councilmember Liccardo, with Councilmember Herrera absent. Item 8.2 is our next idea. That's an agreement with Ace Charter School for assistance in constructing public improvements.

>> Harry Mavrogenes: Mr. Mayor, members of the board. You had given me authority to sign this agreement before. We have subsequent learned from the attorneys that we had to make certain findings. So we are bringing it back to you for those findings, and your approval. There are a number of things in the agreement to protect the agency. I think we had talked about this before in terms of our money being in last. The assistance levels adjusted if the project costs were reduced. So we have built all these in and we recommend your approval.

>> Mayor Reed: I've got a motion from Councilmember Pyle to approve but I've got some councilmembers who want -- you going to let Councilmember Campos -- I'm going to call on Councilmember Campos before I get a motion on the floor. Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I'm going to put the motion out there, approve the staff's recommendation to enter in an agreement with Ace Charter School for assistance in constructing public improvements, approving an agreement with Ace Charter School in the amount not to exceed \$950,000 for

assistance in constructing public improvements and 2 Adopting a resolution making certain determinations required by the redevelopment law, health and safety code section 33445 for Redevelopment Agency funding of construction of the project. Thank you.

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

>> Councilmember Campos: I'd like to speak to my motion. As listed in the Mayfair SNI top 10 priorities the residents of the Mayfair community would like to see another facility you constructed for Ace Charter School to improve the area and to continue to provide educational choices. Ace Charter School is a fifth through eighth grade middle school in the heart of the Mayfair community. It was founded on a mission to assist students who have fallen significantly below grade level by changing their academic trajectory away from failure and accelerate them towards proficiency as a stepping-stone to college. Currently located on the grounds of first apostolic church, the school has overgrown its current facility space and is seeking to construct a new facility to accommodate its growing enrollment. With this new facility, ace will have the ability to provide students with a learning environment, emphasizing success along with improving the local community. Having toured the campus I have seen firsthand how ace's program has been instrumental in assisting students. By approving this agreement along with adopting the resolution for ace to proceed with construction the council will be providing assistance to one of our many educational needs as highlighted in the San José 2020 which is working towards eliminating the achievement gap. On September 13th, 2010, the Mercury News wrote an article entitled schools show gains yet feds say more are failing. Ace charter bucked this trend. Ace charter led the county by gaining 127 points in one year and their overall API score to go up to 729. As stated in the San José 2020 activity report, if we add 12,000 additional degree holders in our city, this would translate to an additional \$1.4 billion in aggregate personal income every year to our economy. Ace Charter School is a school that will prepare students to be part of our strong economy. I believe the investment today will not only increase revenue in the city, but it will improve the lives and students coming out of ace charter schools. Thank you, mayor.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. There's no doubt that Ace Charter School is doing a phenomenal job in the Mayfair area. In fact there's many charter schools throughout the county that do an equally impressive job in supporting our youth and supporting education. But as we know, we are facing significant hurdles in our Redevelopment Agency. We've been talking about that for quite a bit today and previous days, and I just want to continue my objection that I stated earlier to this particular funding, not because the school is not worthy. But it's because we are failing to fund many of the core essential services and functions that redevelopment has historically done, those areas that are really the basis of redevelopment law, and that's the elimination of blight, economic development, the affordable housing, those issues, and we really should make sure that we are fully funding those issues before we start funding issues that are outside, really outside of our purview. And again it's nothing negative about ace. But there are deserving charter schools in many of our RDA areas. And we have, I listed them all off last time but there are dozens of programs that we no longer fund that are specifically geared towards redevelopment purposes. So it's on that basis that I'll continue a no vote.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just wanted to, for the record, if you've been down sunset lately, you'll see that with the new construction of the as I charter school, it will 100% improve the blighted conditions that current exist on sunset. And I think that bringing more people to that site, again, if you're familiar with the concept of defensible space, bringing more eyes to the street, that itself will go a long way from eliminating crime and again, visually improving the neighborhood. And that's why I made the motion and will appreciate my colleagues' support. Thank you.

>> Mayor Reed: We have some people in the audience who want to speak on this item. I'd like to take their comments now. Guadalupe Gonzales, Tamera Alvarado, and Art Calderon and Guadalupe Caldilo. Please come down.

>> Good evening. My name is Guadalupe Gonzales. I'm the chair for the SNI Mayfair NAC and I'm here to represent the Mayfair community and speak for those who are working right now. As all of you know, Ace Charter

School is second in our list of 10 top priorities. This very important for us because we know our kids have the right to a high quality education. And this is what ace provides to them. As a parent, and community leader, I know, all we can leave to our kids is wings and roots. That means, education, and the heritage in their culture. Do not be the responsible for cutting the wings of our kids. And also, I want to thank you, Councilmember Campos, for his strong leadership and commitment to our community in District 5. Thank you.

>> Mayor Reed: Tamera Alvarado, followed by Art Calderon.

>> Hi everyone, how are you? I'm actually coming here today as chair, new chair of the board of directors for ace. So I want to thank you for your ongoing support. We're really proud to be -- okay, I'm not happy with the height here. [Laughter]

>> We're really proud to be working with the families on Mayfair and usually we have about 200 people here but people really busy with work so we have many families in the seats, you can see most of us are wearing our yellow shirts and we're really happy to be working with the families of the Mayfair. As I said many families couldn't be here today but they wished they really could be. We also want to extend a special thanks to Kip Harkness of your staff and Kip I mean that. We have a long history, hmm Kip? We want to thank Kip and their staff, for their hard work. This is very, very complex. We recognize that we also recognize how difficult this decision is for you. This memo that Councilmember Campos sent out is very, very clear. I couldn't explain it better and I think that key phrase is, due to a number of interconnecting factors. That is really the key phrase here. And as a former member of NAC executive board such as the WAC, the Washington area community coalition and also university neighborhood coalition, I urge you to look at the top 10 that the community has put forward because I have a lot of experience in developing those top tens and to see the connecting dots. To see those connecting dots. I really ask of all of you, to please afford our efforts in the mayor of. Thank you.

>> Mayor Reed: Guadalupe Caldilo and then Art Calderon.

>> Good afternoon, Mayor and councilmembers. My name is Guadalupe Caldilo, I'm a PACt and parent leader at ace. I'm here once again to first of all thank you for your ongoing support of ace charter and our community. We are also here to ask that you maintain your commitment and promise that you -- that was given to ace charter. Like you, we all have been watching our budget crisis closely. And know that there are difficult choices ahead of us. I have been fighting for ace since it became a middle school. And I've been experienced firsthand that this school has done for my daughters education. And am confident in her education, and in her future because of ace's vision, mission, and dedication to our kids. It is crucial that the city make a hard choice to stand by ace and its critical need for its own facility. Thank you.

>> Mayor Reed: Art Calderon.

>> Good afternoon, mayor, councilmembers. Part of the city. I'm here today to speak on behalf of the hardworking people of Mayfair neighborhood. I'm here to support the approval of assistance to Ace Charter School. Because in this neighborhood, there are families that have two working parents. As one comes home, the other one leaves to work. They look forward to their child to get better education opportunity in life. And I'm here to support that. I know that each councilmember here has a big boat, and can change and make a difference in a child. I'm here to support funds to go for assistance for a better opportunity in education and believe there is a better better tomorrow for those less fortunate. So please, councilmembers, it's all at the door. It's on the door. Funds are there. We just need your vote, your support. And thank you.

>> Mayor Reed: That concludes the public testimony. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I've grappled with this decision quite a bit. I am certainly persuaded by the speakers and very compelling reasons to support ace but I also want to really point out. I think Pete's I guess I should say Councilmember Constantopolous's comments are well taken. I'm supporting this for a couple of reasons. Because ace is a really extraordinary school and a key bridge in our attempts to close the achievement gap and I think Greg lipman and Tamera Alvarado and others do extraordinary work and it's work that we should support and I frankly believe commitments have been made, a tremendous amount of financing is

dependent on this and there is a lot of leverage that is garnered by keeping our commitment here and going forward with all the other efforts that they've got out there to try to land another four and a half million or so. The concern I have is, I think that had we had really a full awareness on this council, exactly where the Redevelopment Agency was going back when these commitments were made I suspect that we would probably not be making commitments of any sort like this. Or frankly, any other commitments. The SNI top 10 are certainly important but the reality is, SNI is being zeroed out next year based on every document I've seen so far including what was presented to us two weeks ago in a council report. And so I certainly appreciate the effort here, and I want to support it. But I think it's important for us to be really clear going forward that we simply can't make commitments like this. I think we need to be very clear with the community about that and we need to be clear with each other about that. That the time for commitments is long since passed. Right thousand we've got to do everything we can to keep the RDA ships afloat.

>> Mayor Reed: Councilmember Kalra you want to --

>> Councilmember Kalra: Thank you.

>> Mayor Reed: Keep working while you speak.

>> Councilmember Kalra: We have very efficient workforce here. Yeah, I wanted to thank all the speakers that came but also, looks like a lot of the parents that are here, really, on behalf of their children, I know is why they're here. And one of the primary objectives of redevelopment is to reduce blight. And the SNI program has been a very successful program in allowing us as a city, many neighborhoods that have faced challenges over the years. And one of the best parts about the SNI program, it allows the neighbors that live in the community to take ownership of their own neighborhoods in Edenvale they wanted a community center and we were able to get them a community center because that was one of their major priorities in order to have a place for the young people in particular to go. And to offer opportunities for them and in Mayfair because of the blighted nature of the neighborhood, it's -- they feel it's in their best interest to have this school built because it does serve the children in addition to reducing blight. And we know that ace has proven itself as a successful school that really helps

these young people in the neighborhood it serves, as well as offering other benefits beyond the education of the children. And so I think in this case I'm certainly supportive of the motion. But we have used redevelopment funds in a number of different ways to reduce blight and I think particularly in the SNI area it is the fact but it is the community that decides how they would like to see the improvements made, and they've routinely come out and spoken to us either at council meetings or in the community, in the neighborhoods about how they would like to see Ace Charter School become a permanent fixture in their community in a way that really can add a bright light to that neighborhood. And so I'm absolutely supportive of this. I think that certainly looking forward we have to reevaluate what we can or can't do as a city and as an agency. But that should not in any way reduce our commitment that we've made to this community, to this neighborhood as we've done to many other neighborhoods throughout this city. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. I don't know how long this has been in the queue but I suspect quite a long time. Kip, you may be able to answer that one. In other words, the ace school has started two, three years ago, I don't know how many that would be.

>> Yes, it's a priority that has been in the budget for a number of years and certainly ace has been working for a number of years in the Mayfair area.

>> Councilmember Pyle: And I may point out too that this is matching funds and I don't know what the proportion is there. Could you --

>> About 20% of the estimated cost will be covered by redevelopment. So about 80% will be covered by other funds that they are leveraging, and that does not include the cost of the land that is on there and the lease with the school district.

>> Councilmember Pyle: That's why I'm supporting this. I too am waiting for a community center to be built and we'll have to find another way to build it but that's okay. These people have been waiting and they deserve the break, so that's where I am.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you. I see language in here about June 30th, 2011, that this would I guess up to the agency whether or not to continue this OPA?

>> Correct. We have built into the OPA a deadline that the ace folks have agreed to of 2011, June 2011 for them to assemble the necessary funding. If the funding is not assembled by then we have the right to terminate this agreement completely.

>> Councilmember Rocha: It seems like a short timeline. So the funds are -- I guess the expectation is that they're pretty sure, because I'm surprised to see just a five month window here. Normally you see six month, year.

>> The time line is based on when they need to have schoolchildren in seats and open so it's August, 2012 is when they need to be open and running and so they've set that time line for themselves. We agree to it, it is an ambitious time line but it's one they feel they can meet.

>> Councilmember Rocha: Would agency action be necessary to extend it, or can you do that as an administrative act?

>> I believe we could do that administratively.

>> Councilmember Rocha: Would you expect to do that administratively or would you respect to return to the board if there's a request to extend that?

>> Councilmember, I believe we'd have to come back to the board to extend that. I don't think we gave Harry authority in the agreement to do that.

>> Councilmember Rocha: Okay, thank you.

>> Mayor Reed: That time line was actually quite a bit longer because we set it up I believe back in October is when we set up the time line for doing things. Plus they have been working on this as I've said for quite a while. They're not starting from scratch fortunately. Any other comments on this? I'm going to support the motion. There are a lot of reasons to do this, most of which have been mentioned. And it's obviously a great school that's going to do great things for the neighborhood and will directly deal with blighted conditions in the neighborhood, that ultimately is an important part of the mission of the Redevelopment Agency, is to eliminate blight and this will directly do that. On the motion, all in favor, opposed, Councilmember Constant one opposed one absent, so that motion is approved. Congratulations. [applause] We'll now take a minute to change some staff around, that we're going to move to the city council portion of the agenda. We've already done the city council consent calendar. So we're returning back to place on the agenda, starting with item 3.1. And then we have the council consideration of the mid year budget actions. Mayor's budget prioritization survey results and a few others to take up. Hopefully we'll be done by 4:00. That's not a guarantee, though. Item 3.1. Report of the City Manager.

>> City Manager Figone: Thank you, Mr. Mayor, members of the council. I do have one item to update you on and that is to remind you that the city council will have a special budget planning and priority-setting study session next Monday afternoon with the senior staff. The materials were issued this morning, and so I did want to just highlight a few things that I think are significant about this meeting that's coming up. First of all, it will be an important opportunity for us, as we discuss the extraordinary challenge ahead of us this year. As you know the latest budget projections is that we will face at least a projected \$110 million General Fund deficit in 11-12. In this session we will update you on the problems that we see the potential solutions to the budget challenges that we face, and I must warn you that having just closed a \$118.5 million deficit, the choices before you are fewer and much more painful. And it is my early sense that probably balancing next year's budget will be even more difficult

than the last year, if you can imagine that. Even if we're successful with council's previous direction to achieve the remaining 10% employee concessions and roll back wages to last year's levels we will barely be one-third of the way to reaching our goal of closing the deficit. Another topic that will confront on Monday, as you are aware, the largest issue driving our deficit higher is the rising cost of our existing pension obligations and so we will be focusing on pension reform options that could bring these costs under control. While we know that none of these solutions to our pension problem will be popular with either our workforce or our retirees, the rising costs associated with the existing system are simply unsustainable and so the sooner that we confront this issue the better. The third item on Monday's agenda will be workload prioritization with the loss of more than 700 positions in the current budget year on top of a loss of approximately 900 positions over the prior eight years our organizational capacity has been simply reduced beyond what is I guess considered normal for this organization. And so business as usual is no longer an option. So as part of this discussion, we will be reviewing the significant ordinances and council referrals that are on our plate, as well as a draft of principles that we would be recommending that we all use in prioritizing existing workload. So Monday's session will cover a number of critical issues for the city, and so the senior staff and I are looking forward to working with you through these issues, as we confront the City's very significant fiscal crisis. Thank you, mayor.

>> Mayor Reed: Thank you. That concludes the report and we'll move into the next item which is 3.2, the 201011 mid year budget arrive and actions. City Manager.

>> City Manager Figone: Actually I'm going to turn it over to Jennifer Maguire who will take us through the presentation and then we would open it for any council questions or comments.

>> Jennifer Maguire: Thank you, good afternoon, Jennifer Maguire budget director. Through its budget policies the city council has designated mid year as the appropriate time to perform a comprehensive review of the current year's budget around the mid year budget review document as the appropriate vehicle for consideration of any budget revisions. This is in addition to our regular monitoring that we do to the bimonthly financial reports that are heard by the Public Safety, Finance and Strategic Support Committee. The midyear budget review document that was released at the end of January complies with that council policy. It contains a comprehensive review of the

status of the city's 2010-2011 operating and capital budgets through the first six months of the fiscal year and contains recommended adjustments to bring revenues and expenditures in line with current projections and address any new budget information such as recognizing new grants and reimbursements, performing technical budget cleanups or better positioning a particular fund for the future. With the exception of the General Fund and the municipal golf course fund, the city's other 111 funds are performing within expected levels through the first half of the year. I'm very happy to report this is a significant improvement from the last two years in which many more funds were experiencing difficulties and required mid year adjustments at this time. In the General Fund, rebalancing actions are recommended at mid year to address the projected net revenue shortfall of \$10 million this fiscal year. It is important to note that although we made every effort to recommend rebalancing actions in this report that did not cause organizational or service disruption to our community, these solutions were very challenging to find because these actions are in addition to the very difficult budget balancing actions that were implemented to close the adopted budget shortfall of \$118.5 million, along with the previous eight years of budget shortfall. The municipal golf course fund also requires some rebalancing as revenues are not meeting current projects due to about a 13% decline in activity. We do have any fund balance in this fund to offset the impact of the declining revenues and the associated increase to the operator subsidies, but it's important to note that using this fund balance now is likely going to require an increase to our General Fund subsidy that will be reflected in our forecast update that we'll release at the end of this month. And I'm estimating that it will impact it in the range of 300 to \$800,000 more. We are carrying a \$1.1 million subsidy for 11-12 right now. The 2010-2011 revenue estimates were built on the assumption that the economic recovery would be slow. While most would agree that the economy is recovering, the improvements in employment, home values, and other economic activity have been at best unsteady. There's some examples on here. Our unemployment rate does remain high. It is 10.7% as of December 2010 but it is below the 10.9% in the prior month and year ago we were reporting 11.5% unemployment rate. We have very modest job growth, at least 1% year-over-year. Our development activity is mixed and varies by type of construction. We did have a one-time spike in residential activity. In December primarily due to two large projects in the North San José area and a change in building code that took place January 1st that motivated people to pull permits prior to January 1st. Our commercial valuation is up 10% but our industrial valuation is down 59%. Our airport passenger activity shows 1.3% growth through the first half of 10-11, that compares to a 10% decline at this time a year ago. And we continue to have challenges in our local real

estate market with median home prices dropping in recent months. Our average days in the market, are increasing and our property transfers are slowing. In the General Fund, we have several mid year adjustments for the city council's consideration. First we are recommending as I said earlier to address a net \$10 million General Fund revenue shortfall. We are also recommending to establish an \$8.5 million 10-11 ending fund reserve, to secure that revenue source as included in the 2011-2012 preliminary General Fund forecast. We're also recognizing new grants reimbursements and fee activity adjustments totaling about 3.3 million. They will have a net zero impact on the general fund. They are primarily in the police department, our parks and recreation and neighborhood services department, and our fire department. We also are recommending a series of other net zero and technical adjustments, primarily to avoid departmental personal services appropriation overages. In several departments those are primarily due to a lack of vacancies in those particular department, higher than expected costs due to employee placement as a result of the adoption of the budget, and due to unbudgeted vacation sell-back expenses. It is -- finally we are recommending two real estate related position reallocations and a technical card room fee adjustment as part of our report. It's important to note that additional budget adjustments are likely to be necessary before the close of the fiscal year, and we'll bring those to you in June. This is especially in the area of our unbudgeted vacation sell-back expenses that could total approximately \$3.3 million across all of our city funds based on our analysis by June. In the next slide shows the administration's recommendations to solve our current year revenue shortfall of \$10 million. As reported in November, as part of our 11-12 preliminary General Fund forecast, our revenues are tracking about \$13.9 million below estimated levels in several years including our utility taxes, specifically gas, water and telephone, our licenses and permits category, particularly card room, our aircraft in lieu payments, our interest earnings, our franchise fees in the areas of commercial solid waste, water and electric, and our central fire district payments. These decreased revenues are partially offset by some good news categories totaling about \$3.9 million and improvements if our sales tax collections for our first quarter which were up 11.7% compared to a year ago when we were down 12.8%, and higher parking and false alarms fine revenue collections. In coming up with our recommended solutions to resolve this \$10 million shortfall our first and foremost goal, as I said earlier, was to not interrupt our General Fund or other fund service delivery systems or cause employee layoffs or disruption at mid year. And our recommendations do accomplish that goal. First and foremost, we are recommending to you \$4 million of our current \$9 million economic uncertainty reserve which will bring that reserve to a \$5 million reserve balance. This

will be the fourth time in the past two years that we've used this reserve. It just stresses the importance of having this reserve in place, and it's there when we've needed to use it. We are also recommending to do a series of transfers from other funds into the General Fund, recognizing a small increased revenue and shifting out expenditures from the General Fund where it's legally appropriate to do so and reducing some transfers to the tune of \$6 million to resolve the rest of the \$10 million shortfall. This is -- the \$6 million as we've looked at the solutions of that were primarily available to additional unprogrammed fund balance from the closeout of the prior fiscal year or were from additional unbudgeted revenues that have come in this fiscal year. There's no current year service level impacts or project impacts expected with these actions but in some cases it's important to note that obviously transferring funds among the different General Fund and these different funds will affect the levels of balances available in the affected funds to do new projects in the future. The details of all the transfers are listed on page 10 of the City Manager's transmittal letter and also in section 3 of our report. Some examples of the larger transfers include a transfer from our construction excise tax fund into the General Fund, taking some of our integrated waste management fund late fees and commercial construction demolition and diversion deposit revenue into the General Fund, shifting cost to our library parcel tax fund where it's appropriate shifting some central service yard debt service cost to the service yard's construction and conveyance tax fund and shifting a small amount of fire apparatus replacement costs out of the general fund to the fire construction and conveyance tax fund. The next largest recommendation of the General Fund is to establish an ending fund balance reserve to better position the General Fund for 2011-12. Again the 2011-12 preliminary General Fund forecast that was issued in November assumed that General Fund expenditure savings of \$8.5 million and the liquidation of prior year carry over encumbrances of \$4.5 million would generate about 13 million of a revenue source to use as we go into 11-12. To secure the expenditure savings portion of the fund balance we are recommending that we reduce departmental citywide and capital appropriations now to ensure that funding is available by year end and into 11-12. On the departmental side we're recommending to reduce appropriations about \$5.8 million, that savings is being generated by the police department, our parks and recreation department, the City Clerk's office, finance, information technology, human resources, economic development and Public Works. Each of those departments are expected to generate savings either from vacancies in those particular departments although other departments are having problems going over their budgets but some of these departments have vacancies from election savings from closed landfill compliance savings, our hardware maintenance consolidation savings

or otherwise doing tighter controls on their nonpersonal equipment and expenditures. In the citywide expenses category we looked for project savings or appropriations that were no longer needed and we were able to reduce those appropriations and we were able to recommend \$2.3 million of savings there. For example an FMC debt service payment appropriation, we were able to take \$500,000 out of that appropriation due to lower variable debt service costs which is the flip side of us having lower interest earnings on the General Fund. We have property tax admin fees we believe, we looked at our actual insurance premium costs and we got a little savings there, all the way down to \$51,000 for some storm fee savings. So we looked very deep to find this savings. On the capital side we were able to secure \$400,000 of capital expenditures, from savings in the South San José FF&E appropriation, some savings from Watson park, a site clean up restoration as well as some parks and recreation bond project savings. Moving on to the status of a few of the City's capital and special funds, as I mentioned earlier our airport funds we are seeing passenger growth of 1.3% for the first half of the fiscal year. It is slightly below our anticipated growth of 2% however, due to conservative budgeting over there there is no current year budget problems for the airport but it's important to note and I know you're aware that there is a large budget shortfall of approximately \$15 million projected for 11-12 without significant increases in carriers, flights or passengers. Our construction excise tax and building and structures tax funds which last year had to be rebalanced at this time, or we have good news that our revenues are out performing our expectations is generally due to the one time boost from those two large projects I mentioned earlier and building code changes. Our convention and cultural affairs funds is tracking -- is on track. Revenues are at or above the budgeted estimate and expenditure savings may be realized by year end. It's important to note that next week's council meeting there will be an updated plan of finance and amendments to the management agreement for council consideration on this item. Our municipal golf course fund as I mentioned earlier is needing to be rebalanced as part of mid year and our transient occupancy tax fund is performing better than expected with revenues currently tracking 11.9% above the prior year due to higher occupancy rates that are at 57.5% compared to 52% a year ago. Looking forward, obviously, as the City Manager has mentioned as well as the mayor the city will be facing its most challenging budget in 11-12 particularly in the General Fund with the preliminary projected shortfall of 110 million. We listed here as we often do many of the activities that will be undertaken over the next several months to adopt a budget in June. And with that I'll stop and myself as well as staff are available for questions.

>> Mayor Reed: Thank you, good report Jennifer. I want to congratulate you and the staff, we're only talking for adjustments in the range of 1 to less than 2% of the budget. I know that other cities have much bigger numbers that they have to fix. In mid year with layoffs and other interruptions of programs. So the City Manager and the department have once again done a good job of projections, and decisions, based on lots and lots of variables that we can't control. So we're lucky to be only having to make these kinds of adjustments. I think they underline the importance of having some reserves which we were able to use instead of having to lay people off mid year. And so I agree very much with the idea of trying to replenish those reserves with actions taken early so that we have a little bit to work with as we go into next year. Plus we have other things that could happen still in this fiscal year that we need to have some reserves to deal with. I had a couple of questions about some of the revenues and things. First, the position elimination date that you discuss on page 19 of the transmittal. We're looking at an earlier effective date to eliminate positions, and I know that we're backing it up and doing it earlier in hopes of saving some additional money. Can you give us an idea of the magnitude of the savings by back this up a month basically a month earlier than we did last year?

>> Jennifer Maguire: Yes, actually we did take a look at that as part of the consideration, and the human resources department just ran me some numbers. Based on the 160 positions that were laid off last year, and we're looking likely at a lot -- much bigger number this fiscal year, by -- we spent actually an extra \$1.3 million by implementing those reductions in August rather if we had done it where their layoff effective was effective before the beginning of the new fiscal year. If a person -- the way that our health and our dental systems work if a person is employed one day at the beginning of a new month, then we are contractually obligated to pay that both health and dental premiums for the entire month. And there's no refund. So that alone will be a cost, plus every day of salary that the person is employed. So to the extent that we can back up those dates, and get more savings, that will be fewer services that we need to cut and in the end fewer layoffs.

>> Mayor Reed: You mentioned the airport operating fund and the \$15 million shortfall projected for 11-12. That shortfall assumes operations as they are today, it does not include the possibility of the contracting-out of police and fire services.

>> Jennifer Maguire: Actually, Bill will come down.

>> Mayor Reed: Need to verify that because \$15 million is a really big number against their budget. And I hope that's not after we do the things that we have identified in our competitiveness plan.

>> Bill Sherry: Mr. Mayor, Bill Sherry, aviation director. Your assumption is correct. It does not assume any service delivery changes. So in other words, if we're able to pursue other alternatives service delivery methods that would reduce the \$15 million.

>> Mayor Reed: That's how we bring that 15 million number down to zero.

>> Bill Sherry: Yes.

>> Mayor Reed: Thank you. Golf course. You've indicated that we're likely to have to increase our subsidy next year for the golf courses, and why are we subsidizing the operations and how long is that contract and are we locked in to a contract that requires us to subsidize the golf courses? I know we have debt service to pay that goes on no matter what.

>> Jennifer Maguire: Here is Mr. Buloxa is coming. But for any month that the course operator, for the two golf courses, Los Lagos and rancho de pueblo, do not meet their revenue projections, we are obligated to fill in their operation costs as well as their management fee, is that correct?

>> Albert Balagso, director of Parks, Recreation, and Neighborhood Services. The contract goes through 2013. That's for rancho Pueblo and Los Lagos, is basically going month by month as directed by council.

>> Mayor Reed: So Rancho, if we decided we want to get -- How much do we save there if we stop operating at rancho?

>> Albert Balagso: We would have to work that out. There is still the debt service and the debt service on that annually is \$452,699.

>> Jennifer Maguire: And then I may add, I did do a look at that so putting aside the overall debt service payments but our annual requirement to operate that course, is about \$740,000, which is part of the reason we have the subsidy that's not being covered by their operations.

>> Mayor Reed: Well debt service goes on. I mean whatever, somebody's got to cover the debt service. But I'm trying to figure out how much we could save if we just said all right, that's one of our facilities that we can't afford to keep open like community centers and libraries. Some of them we can't afford to keep open. If that's one we can't afford to keep open how much do we save, knowing that we still have to pay debt service?

>> Jennifer Maguire: If you look at the expense of our golf courses it is close to \$300,000 annually that we're paying this fiscal year. It depends on the economy and how the golf courses perform but that's our current estimate.

>> Mayor Reed: All right, Hayes mansion the same kind of a question. I know that you're reducing the amount of money that we need to put into Hayes mansion because interest rates have been favorable but --

>> Jennifer Maguire: That's right. So the Hayes mansion for this fiscal year that is projected to meet our budget expectations. We don't need to do any rebalancing. Their performance was better in the first half of the fiscal year. This first quarter in 2011 it's dipped down a little bit. For the overall, I know that Scott Johnson and the finance team are looking at their overall finances now do some projections. Since the transient occupancy tax is picking up we hope that will result in some more favorable results of our subsidy out at the Hayes mansion fund but we're analyzing, we don't have anything else to add, Scott --

>> Scott Johnson: Thank you, Mr. Mayor, members of the council, Scott Johnson director of finance. To the budget director's point the Hayes mansion is tracking better than budget. Dolce has been doing a good job of

managing the cost and they're also programming the revenue and tracking as we've seen difficulties in the hotel-motel industry and the hotel center and our conference center, they're tracking more for transients to come in, so they've increased their revenues, they've exceeded their revenue target for budget, how they're on track, they are reducing their cost and we are also seeing the advantages in regards to the reduced debt service because most of the debt on Hayes mansion is variable. We're paying a very low rate on the debt for Hayes mansion.

>> Mayor Reed: Well I know we can't stop the debt service payments but the same question is if we decide that's one of our community facilities we can't afford to keep open, even if we have to pay the debt service how much could we save if anything by saying that's another community center we can't afford to keep open?

>> Scott Johnson: Mr. Mayor, that's a very good question. I think the other thing that we have to look at is the tax revenues that are generated from the Hayes mansion. For example, we just looked at this with the various taxes, the CCFD, the H bid and T.O.T, Hayes mansion generates about \$650,000 of tax revenues that come back to the city. We're looking at the projections for next year, looks like they're going to break even. So break even by the sense of not having to pay for any operating costs from the subsidy but the subsidy would go towards the debt service. The other thing that I want to make sure we keep in mind. When we're talking about closing facilities, that in which we have debt outstanding, we need to consider the bond documents and the requirements. Because those facilities must have beneficial use. So we'd have to take a look at that and what other options we have, we'd have to transfer out other assets for that -- that is outstanding if we were considering closing down any of those facilities that have debt associated with it.

>> Mayor Reed: Okay, on a happier note I notice somewhere in here page I-24, happy hollow is projected to have 100% cost recovery. So that's good. We had hoped for that and it's great news that they're doing -- I've been out there and it's a great addition to the city and if it can run at cost recovery that's just tremendous. So we don't have this same conversation about it that we're having with Hayes mansion and golf courses. I think my last question has to do with the trends or the tax revenue anticipation notes that on page I-33, you're talking about expecting them to be repaid as of January 31st. Were they?

>> Jennifer Maguire: They were repaid.

>> Mayor Reed: Okay and that's just to manage some of the cash flow on some of the payments, primarily on the pension fund right?

>> Jennifer Maguire: That's right, for the prepayment of our city contributions to the pension funds.

>> Mayor Reed: All right, other questions as well, Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. The \$10 million would not be offset by any negotiations, would that be correct?

>> Jennifer Maguire: No, this is a current-year issue.

>> Councilmember Pyle: For this year.

>> Jennifer Maguire: Yes, the negotiations are for the 11-12 budget.

>> Councilmember Pyle: Right, so it is down to \$5 million with your emergency funds, et cetera.

>> Jennifer Maguire: Yes, right. The economic uncertainty reserve will be down to \$5 million and we still do have more uncertainty. We did not resolve all of our -- how our revenues are tracking on the current year because we do believe that is in some categories that revenues may pick up a little bit in the second year, maybe self-solve some of our revenues we want to keep that as our back stop.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. First of all thank you Jennifer for your hard work. I have a question you might not be able to answer right away. This is regarding to page 19 of section 2. The bottom of the left column, there's an increase of \$100,000, not a big amount for the plan review of Silicon Valley Berryessa extension project. I wonder, what is the total amount that the City's contributing to this VTA for the plan review of the Berryessa extension project?

>> Jennifer Maguire: You know, I was just looking at the Department of Transportation for some assistance. We will have to get back to you. We don't have that answer for you right now.

>> Councilmember Chu: Okay, is it normal that the city General Fund pays for the VTA's BART?

>> Jennifer Maguire: This is not the General Fund. This is actually our construction excise tax fund, which is primarily dedicated to traffic capital issues. So this is not an expenditure out of the General Fund.

>> Councilmember Chu: And if I read it correctly, this is \$100,000 to offset the anticipated decreased funding from the VTA, is that correct?

>> Councilmember Chu, Jim Ortbal from the Department of Transportation. The valley transportation authority is paying up the funds to review the plans for them to do review of activities that are coming through our city and our right-of-way. So these are funds that are coming from VTA.

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

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, and great report, thank you very much. I have a couple of simple questions, hopefully, for you. Page 3, the reference to the position impact of general services and real estate. Can you explain to me why we're doing that, in greater detail than what's here if you don't mind?

>> Jennifer Maguire: Sure.

>> Ed Shikada: Councilmember, Ed Shikada, assistant City Manager. Why don't I take a shot at it and Nancy Kline from our office of economic development may want to extend. The move is effectively our effort to kick-start the additional activity in the area of real estate asset management where a greater focus and a greater connection to the economic development activities amount the use of our own city properties. One of the properties in fact that the mayor mentioned, the Hayes mansion has been identified as a property that, through the budget message, through the last budgets process was referred to staff for alternative use. So now with the Office of Economic Development in the lead we will be completing that analysis and bringing that forward to the council I believe in the next 60 to 90 days. Nancy you may want to expand from there.

>> Councilmember Rocha: So we're eliminating positions but adding, so is this a wash and is staff getting reassigned or are we having to hire and eliminate folks?

>> Councilmember Rocha, Nancy Kline, economic development. The positions that were there we are realigning so we can better analyze what we need to do to follow current market practices, looking at asset management, seeing how we can come into better alignment from how we look at a portfolio and asset point of view. So it is realigning so that we have a vision that matches marketing and move this further faster, that is the intention. There are two positions that will be reclassified and then we will be adding senior executive and analysts. Part of that adding to the leverage that we getting in the manager's office bringing together a better understanding of what council wants as well as overarching a position of the administration. The two positions in there will be retained although in different classifications and in terms of a budget it will be figuratively a wash.

>> Councilmember Rocha: Thank you very much. A question on page 6, separate issue. Let me see here. So I'm reading the last paragraph at the bottom of page 6, General Fund revenues and transfers through December totaled \$458 million or 52% of budget estimate. And help me understand in financial-speak please how 52% is below estimate. I'm assuming at mid year it would be 50. I know it's probably a simple obvious answer but just so I understand.

>> Thank you for the question. From year to year a benchmark. We get some revenues in the second half of the year some in the first half of the year, for example our property taxes don't he come until December and then another payment in the spring. They just don't come in evenly where you can look at 50% as a good indicator. But we give that to you as some indicator from a year to year perspective.

>> Councilmember Rocha: I didn't think that was perfect try for a perfect, math so that's why I was curious why we weren't just tracking as normal or as expected.

>> Jennifer Maguire: We go through a detailed analysis of all 450 of our revenue sources to come to the year-end estimate and that's when we did so, we've -- you know we're looking at that \$10 million shortfall by the end of the year in this category as I mentioned earlier.

>> Councilmember Rocha: The fund economic uncertainty fund what was the total for that projected for fiscal year that you kept in that?

>> Jennifer Maguire: The -- right now before the mid year actions of what we're recommending, the fund stands at the -- it's basically a reserve within the General Fund at \$9 million. It has been at \$10 million. It has been at \$4.5 million. We've used it and replenished it and used it and replenished it over the last custom of years as we needed if we had some one time funds we've put it in here but we've had to draw on it like I said, this will be the fourth time in the last two years, because of the uncertainty that we've been facing in our revenues. It's been there so we don't have to go and lay off people in the middle of year and just cause general disruption into our community.

>> Councilmember Rocha: When the last adopted budget was in June it was \$9 million?

>> Jennifer Maguire: It was 9 million. We had just increased it by 3.5 million with some expired special assessment district funds, and which council approved to increase it and we're now using it for the first time this year. Last year, we used it at mid year, it was well but that was from several other areas that weren't performing not necessarily the ones I'm discussing today.

>> Councilmember Rocha: Okay and then the ending fund balance reserve in the last adopted budget in June, what was that total do you know? If you need to get these to me later, that's fine. I don't need to --

>> Jennifer Maguire: The ending fund balance last year -- the ending fund balance is comprised of many different elements. At this point of the year we are talking about our unrestricted balance, that comes from any revenues, any expenditure savings that we're recognizing and any liquidation of carryover encumbrances. Last year at this time, that number was about \$14.3 million. Then we ended up getting some one time litigation settlement money that was counted as fund balance. But it was 14.3 million probably for comparable. At the end of the day, we also have our reserves and carryover funds for rebudgeted project. Our continuation reserve as part of the ending fund balance. So it ended up being about \$135 million fund balance when we added all those components together and council adopted the budget. When we reconciled our estimated fund balance to our actual fund balance as part of the annual report which is a typical time we do that, we ended up after we cleared out some -- did some rebudget adjustments we ended up with \$3.5 million of extra money based on \$2 million of estimates, we're very, very close.

>> Councilmember Rocha: Thank you, that brings me to the last question, I-3 or chapter 1-3. Chapter 1 page 3. Looking at the reserves listed down in the bottom left corner, trying to understand how in terms of budgeting the ending fund balance -- I'm sorry the emergency economic uncertainty fund wouldn't be listed there just so I understand.

>> Jennifer Maguire: Yes, no no, sure. It is partly of our ear marked reserves line item. Actually so -- and can I show you this off line. But the earmarked reserves is a category that anything that council has designated by policy to be -- is earmarked for a particular purpose, like the economic uncertainty reserve, we have our development fee reserves in there, have our general liability workers compensation reserve, catastrophic reserve, we have several reserve in that category and they are all listed in the budget document by amount and category and then we also provided that as well, how we ended up in our annual report documents.

>> Councilmember Rocha: Thank you very much and thank you for taking the time last week to sit down with me. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, thank you for a nice good read, and as the mayor said being so close. The percentage difference when you look at the whole budget is very small and I think it really tells us how hard you guys work on getting all these projections correct. The mayor asked a lot of the questions I had related to the subsidized activities. And I think that as we go forward it's going to be really important to have a really thorough discussion of all the ramifications and implications of potentially closing some of those facilities. Because we're making those hard decisions where we have community centers, libraries that will be closed or for example, the police substation that's finished and closed. And I think we have to be prepared to do that with any operations we have, specifically those that we subsidize and that aren't within our core mission. And I think that's going to be really critical. I did have a question about the employee suggestion program because it was noted on one of the pages and I know we've talked about this it seems like the whole time I've been here for four years. And it seems like it should be a relatively simple program to get up and running but it's languishing for years. I see it's about ready to come online, what's really been taking so long when we have so many employees with so many good ideas and I know that back when I was a city employee and would see the number of awards that would go out because of the great suggestions from employees, it seems like this keeps falling -- has kept falling on the back burner. So just maybe some illumination.

>> Ed Shikada: Thank you, councilmember, members of the council, Ed Shikada, Assistant City Manager. Once again, in this particular effort, we did have some setbacks in bringing it forward, but I think we've cleared those at this point. This is really the next generation of the employee suggestion program and really builds on the collaborative tools and uses infect the Internet. This is a hosted solution, and we will be able to use the power of the crowd and be able to take the suggestion of one employee and use additional employee feedback on that suggestion to make it better and make it the best it can be. The model is one that is being piloted among other cities, I believe personally that it's New York and Maricopa county is also engaged in a very similar launch of this new education of employee suggestion. We are very optimistic and enthusiastic about this launch.

>> City Manager Figone: Also, councilmember, we had a procurement issue which set us back and that we had to work through.

>> Councilmember Constant: I appreciate the fact that we are looking for innovative ways to do it and improve it, but in the meantime, we should be encouraging owner to just send in an e-mail. Because quite frankly how we get the suggestion is not as important as whether we vet the suggestion and find out if we can save money. Some of them you can just do a back of the envelope calculation, saying yes, you should look into this. Others can wait for more thorough analysis. But I really just don't think we have the time to keep waiting. So I'm glad it's here, but as we go forward, I just hope we don't always overcomplicate things and we just get things moving because we really, really need to be relying on our employees to help us find solutions.

>> Jennifer Maguire: If I may add, through the last and several budget years we have had a straight talk budget Website that's managed by our public information office and the budget office and we do encourage suggestions, and we actually have a system between our two offices where we will farm them out between the two offices and have a separate budget department review so that has been going on parallel to the system coming up.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. I wanted to have a few comments one was I remember when we were balancing the budget last year there were some proposals that would have reduced the reserves that we are pulling from today. And essentially would have left us at essentially zero after today's mid year budget balancing. So I think it's important that we always keep that in mind because as you mentioned if you're going to do layoffs next year mid year it is a little bit more disruptive. Second, we always talk about the budget and we talk about the community budget meetings about the fact that there's a variety of different funds legally restricted and we can't necessarily move them around as much but from today's observation you would say wow there's a lot of funds moving back and forth. In the end are those just funds that you have to pay back by a certain day just on a laymen's perspective I guess Jennifer?

>> Jennifer Maguire: Yes. No there is not that many funds that we have that flexibility with. Although it may appear like that with the mid year, we actually have to find eligible costs in the general fund and make sure those funds can afford those payments. For example, the fire apparatus, because we have been having difficulties with not just the General Fund but across many city funds, we have had to subsidize our fire apparatus expenses out of the General Fund because that fund ended up with a little bit of better ending fund balance last year, we were able to take \$200,000 of the \$1 million we have in the general fund and put 200,000 over to that fund. Not certainly the entire subsidy in the general fund, but if it's an appropriate capital cost, that can be appropriately funded out of a different fund we will always look to do that. And if that fund can afford it because you know obviously that fund is there for a purpose and it's funding very -- other importantly things. Yet it's a balancing act, that -- where we legally can do so, we will transfer funds or find an appropriate place to charge an expense rather than the General Fund.

>> Councilmember Oliverio: And if you remind me on the comprehensive annual financial report, on the audit, do they acknowledge transfers?

>> Jennifer Maguire: Those are all part of the comprehensive annual financial report. And also, the attorney office watches exactly what we do. We check in with them regularly to make sure that everything will pass that test as well.

>> Councilmember Oliverio: Okay, and then the other items which you talked about on the golf side, and the bigger number which I don't expect you to have at your fingertips, is all the money over all the years that the general fund has been subsidizing operations and debt service on golf. And I think that's why we've been having some of the discussion on changing how we use some of the city land that we have and then on the Hayes mansion granted we get \$650,000 worth of tax revenue we spend \$5.9 million on the subsidy. It's a little tough business proposition to acknowledge, we get revenue, but we are also losing every year, and understanding that it's using the land for a different purpose that would repay the mortgage. But as always thanks to the budget Office and all the work.

>> Mayor Reed: Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you, mayor Reed. Jennifer, thank you for the diligent work, it's an outstanding report. A lot of the questions I wanted to ask have been asked already. So I just have one question regarding the card room fee adjustments. The proposal is to eliminate the card room table fee and create a card room regulation fee. I assume that the card rooms have to be informed of this change?

>> Jennifer Maguire: I believe they have been informed because we work closely with them. Deanna Santana was our liaison, it just -- it just clarifies the cost to each card room business because we added the tables, we would have had to adjust the table fee. We're now just making it a per card room fee for the regulation. So it's just a different methodology of collecting the same money and it's an easier clarification I think for the card rooms.

>> Councilmember Nguyen: And Rick, I believe your office needs to bring this back for I guess a formal change in the name of the fee. When do we anticipate that is going to coming back?

>> City Attorney Doyle: We have a number of title 16 changes that we are bringing forward as part of the City Auditor's recommendation and that will come forward as part of that.

>> Councilmember Nguyen: Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor. Thank you for the report and I also agree, kudos to the estimates, it looks like a lot of the mid year done on many of the other cities is much greater because they were a little far off. Part of that is the conservative nature of the estimate but also it looks like some of the numbers in some of the categories are improving a little bit in terms of revenue, but an optimistic sign. In regards to the Hayes mansion my guess is, clearly there's the debt service. But by not operating in I guess you don't get any of that revenue so any way we can mitigate the debt service as much as possible I assume would be helpful. Around the current management agreement, is that expiring soon? I can't recall off hand. I believe it was coming -- my recollection is within the next year or two that it was going to be expiring.

>> Scott Johnson: Councilmember, Scott Johnson, director of finance. I can get back to you on the expiration date. They also have some option periods so I'll get that information for the council.

>> Councilmember Kalra: Yeah, so obviously the opportunity we have to improve on the terms of the agreement with the management company, Mr. Dolce was here the other day a couple of weeks back and found that they were doing some creative things both in terms of cost cutting as well as marketing with some other properties, the Hayes property so that just -- that kind of spoke to me in terms of as we look at the option is, as Ed indicated, next couple months or two, three years we'll get a report back on the different alternatives and options that, win, particularly in regards to class marketing, if there any -- you know current private hotelier chain or company or group that would be interested because they can clearly market it much more broadly just through their network than any other -- than the city can or even Dolce, I think when you had the opportunity to market to business travelers of a three-year network whether it be Starwood or what have you, you can -- that instantly increases the viable and the marketability of a property and then on top of that some of the other creative things that Dolce has been doing can still be kept in place in terms of trying to get more leisure, weddings and all that. So now while we are trying to figure out in regards to debt service, obviously the more we can bring in revenue the more helpful we

can be and hopefully just the way Hayes is tracking with the downtown hotels, and the hotel industry as a whole, and hopefully as the economy turns around we will see the bridge of the gap between the debt service and the revenues brought in prior to the economic prior to the recession the gap was closing pretty quickly, based upon Dolce's management. So there is an opportunity there but the question is if that opportunity will get us where we need to be which is the cost recovery which might not be likely but that's something I'm looking forward to hearing more about as we go forward.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you mayor. Going back to the card tables, and I think I'm understanding that the cost is per card room the 925,000 is per card room and not per table?

>> That's correct.

>> Councilmember Campos: So was the added number of tables, that's not necessarily multiplying that 24,000 that it previously broke down to you.

>> Jennifer Maguire: The thing is we're limited to cost recovery. So we have the same base cost of our regulatory costs and so we're just spreading it differently. Also we would have been lowering the table fees.

>> Councilmember Campos: Okay because I was doing the math and.

>> Jennifer Maguire: We did get the additional tax revenue and Mr. Johnson wanted to clarify that the card room operators were indeed notified.

>> Scott Johnson: Yes to the question earlier, the finance department working with the City Manager's office we have been in direct communications, multiple communications with the card clubs in regards to the card room fees and we're continuing to discuss with them the changes, the change in the methodology.

>> Councilmember Campos: Okay, and then last going over to the airport, the -- you know, if you look at the graph on 140, or I-40, you know it shows that San José consistently tracks lower than Oakland and SFO, SFO is not a comparable airport. Oakland is. I mean what big factors are there that are prohibitive of us getting you know more service, cargo, I think cargo's a missed opportunity. And you know, I mean our airport is and should be our largest economic generator for our city.

>> Bill Sherry: Councilmember, Bill Sherry, aviation director again. Air service development and cargo development is a multifaceted subject matter. There are a lot of issues in play, in terms of the air service dynamics and competition in the Bay Area. We really don't compete that much with Oakland. Our primary competition is San Francisco. San Francisco has done a good job over the years to restructure its debt, lower the cost, and they were particularly -- they had an advantage in getting virgin America into San Francisco, which started an air fair market share war. Which calls southwest, jetblue and other carriers to build service up in San Francisco. So there's considerable more capacity in San Francisco, which is driving the fares and the yields down in San Francisco but also, pulling service out of Oakland and San José. Having said that, this was all during a period when we were under heavy construction, and our debt service and costs were going up. So that's kind of the lay of the land in the past. In the future, I think we're well positioned to compete with San Francisco. Our airport is now new, the most modern airport in the world. We have ample air field capacity, ample terminal capacity, much to the credit of the council. We are controlling our costs, and the airlines are getting more confident about our ability to control cost, and the market share war that the Virgin effect started should start coming to an end because it's just not a sustainable environment. So I hope that kind of gives you just kind of an overview of the air service. Additionally our passengers continue to communicate with the airlines that they very much love the new facilities. In the past our airport environment wasn't particularly the best. Today I'd rank it against any airport in the world. Insofar as cargo is concerned, cargo distribution sites are predominantly up in Oakland. I think our curfew works against us in that regard. But I've got to say even if we were to consider the curfew which it's been our recommendation not to do, I don't think you'd see a huge influx of cargo because those facilities are already up in Oakland.

>> Councilmember Campos: Do you see the curfew being an impediment to passenger? Passenger growth? International or even transcontinental?

>> Bill Sherry: In a very minor way. My counsel to council has been, let's grow the airport during the day. If we can't, or if we're underserved during the day, opening it up at night isn't going to really serve or isn't going to bring in an influx of service or a tidal wave of new service. So I think we need to focus on the service during the day. I don't see it as a big impediment to international service, transcontinental service, and so -- and the other thing we did is, we did a study looking at the other airports throughout California. And the amount of service they had that would be in our curfew period and it was relatively small.

>> Councilmember Campos: Okay, thank you.

>> Bill Sherry: Uh-huh.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: One follow-up, and I'll be brief.

>> Mayor Reed: Is that for Bill Sherry?

>> Councilmember Rocha: No. Bill. My question is more of context, for when you spoke about the budget, and projections, and you talked about significant layoffs. So when you're making that reference you're assuming no concessions in 2000 -- the next budget or it's either way? Or in addition to or --

>> Jennifer Maguire: I'm -- disappointed to say that I think it will be either way but we will be discussing that more on Monday, the 14th. I'll be providing you a scenario of what a budget balancing scenario may very well look like for next year. Based on number of factors we'll go over in that meeting.

>> Councilmember Rocha: Okay.

>> Jennifer Maguire: But I think likely there will -- because of the size of the shortfall and the fact that the concessions that we're looking at, if we got all the council direction from all of the employee groups would total about \$38 million and we're looking at \$110 million shortfall absent any Redevelopment Agency impacts we still have a long way to go to close those impacts and this will be year 10. The options are just not easy anymore. Citywide we have about 200 vacancies and only about 100 in the General Fund. So that's the complex problem that we're facing.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Bill, thank you for -- I didn't want you running all the way up there and having to come back down. Thanks for staying close. Bill I just have one question, relates to the graph on page I-40, I know you don't necessarily have that before you. It compares our airport to SFO Oakland and a composite of North American airlines. What's remarkable about it to me is that the San José line appears to be remarkably correlated to the aggregate North American airline graph. That is, the line I should say. But not very closely correlated what's happening in San Francisco or Oakland. In other words, what happens here seems to be resemble what's happening in the industry, but we don't happen to have such a regional pattern. Does that happen most of the case or an anomaly in 2010?

>> Bill Sherry: I would say as you pointed out we are kind of in line with the rest of the industry, I would 23rd say we're a little bit worse than the industry as an average. Oakland is a little bit worse than us. The anomaly is San Francisco. I don't actually have the stats but there are 430 commercial service airports in the U.S. and less than two or three or four of them have seen gains and San Francisco was one of those that have seen gains. So that's really the anomaly in the Bay Area and because of the San Francisco buildup in capacity that's influenced service in Oakland and San José beyond what you would normally see in the industry trend.

>> Councilmember Liccardo: I see okay, thank you, that's really helpful. Thanks, bill. Jennifer, I just had a couple of questions on what we see on the mid year status report pages I-2 and I-3. Thanks for sharing. So on page I-2 you'll see a source of funds list. And under general revenue, the last item there is captioned other revenue. And we see some small typically small, occasionally sizable modifications for most of those categories that you see under general revenue and then for other revenue you've got a modification of \$75.7 million. It seems pretty big. I'm wondering how that critter got in there because I couldn't figure out where it came from in the rest of the report.

>> Jennifer Maguire: So the council approved that action. It was the issuance of those TRANS or tax and revenue anticipation notes. So it was a borrowing to cover our cash, but there was a corresponding expenditure of the exact same amount.

>> Councilmember Liccardo: I'm sorry.

>> Jennifer Maguire: It's the transfinancing to help with our cash flow problems from prepaying our retirement contributions. So it's really an in and an out. It's not an all of a sudden new \$75 million revenue source for the General Fund, I wish it was. But it is not. It was a corresponding expenditure to pay off that 75 million that came in, and so it was approved by council earlier this fiscal year.

>> Councilmember Liccardo: Thank you, it's really just a cash management tool we use because we're prepaying our retirement obligation.

>> Jennifer Maguire: That's exactly correct.

>> Councilmember Liccardo: Darn I was hoping it was a \$75 million that came out of the sky perhaps from a fortuitous trip to Las Vegas, who knows? And then if you look at the nondepartmental on the next page, the use of funds, you see nondepartmental --

>> Jennifer Maguire: So that 75 million repayment is in citywide expenses, in the 87, and there's probably some other large grants in there that also included an increase that I recall to our sick leave payments upon retirement that line item that council approved as part of our reports that's part of that in there.

>> Councilmember Liccardo: Got it, thank you very much.

>> Mayor Reed: Do we have any requests from the public to speak on this? No, we don't. We have a motion to approve. Any further questions or discussion? All in favor? Opposed? None opposed, that's approved. Our next item will be 3.4, that's the budget prioritization survey results. We'll have a presentation from David Metz from Fairbank, Maslin, Mullin and Metz. The survey is part of our community based budgeting process that we go through.

>> Thank you very much. Mayor members of the council, members of the public, I'm David Metz with Fairbank, Maslin Mullin, Metz & Associates. I'm here to report to you on the results of our 2011 budget priorities survey. As many of you know, our firm has worked with the city for about a decade conducting community surveys employee surveys and since 2007, an annual budget priority survey. This most recent version was conducted in -- oops, there we are, was conducted in the midst of January between the 13th and the 20th and as in prior years we divided our sample into two groups. A sample of 451 registered voters, drawn from voter lists who are considered likely to cast ballots in off year elections and then 452 interviews with adult residents community wide and this year we made sure that we had an allocated set of interviews to be conducted on cell phones in both samples to ensure that those without a land line telephone were not excluded from participation. As in prior years the survey is conducted in English, Spanish and Vietnamese, and there are a number of places here where I will draw comparisons between this year's results and those in the 2009 and 2010 surveys which were most comparable in structure to the one that we conducted this year. Although for a number of these items we do have data going back to 2007. So to start with, we had a question that we asked for the first time in last year's survey that was designed to get a sense of looking at broad goals that the community of San José might set for itself, how would trends like to see the City's resources allocated? And the five goals which they were offered are listed here. A

safe city, a prosperous economy, a reliable well maintained infrastructure, a green sustainable city, and an attractive vibrant community. We told the respondents they had a hypothetical \$100 to allocate between these five goals, and you will see here on the right-hand side of the slide the average amount that the respondents allocated to each of these purposes. Overall there was very little difference from what we observed in the 2010 survey. A safe city and a prosperous economy were the two areas in which residents were most likely to make significant investments but each of the five goals did receive a significant allocation of the \$100, as evidenced by the fact that the range is simply between \$15 and \$23 for the average investment. Now, given the City's significant budget shortfall we also asked a question that was drawn from a prior year survey, where we asked the respondents to prioritize among three major strategies for addressing the shortfall. Either reducing employees compensation and retirement benefits, reducing existing city services or raising additional revenue including taxes and fees. You see the ranking that made each either a first or second priority, and the first was reducing public employees compensation and retirement benefits. This is the same result we saw in last year's survey and it's a fairly typical result for asking these types of questions. For most respondents they see reducing services and raising additional revenue as having a direct impact on them, the impact of reducing employee compensation might not be as evident. Also because as we noted in the survey those changes to compensation would not be likely to close the entire budget shortfall. We asked a follow up question that forces respondents to choose between two harder choices which they would see as having a more direct impact on themselves. Reducing services or raising additional services through taxes and fees. As we have seen in prior years residents were about evenly split in terms of their preferences with 2 in 5 indicating they would like to reduce services as a top priority, 34% asking or indicating that they would like to see additional revenue raised. Now if there's one trend that I would observe in this year's survey relative to what we've seen in the past it is that the reality of the City's fiscal situation may be sinking in with residents a little more than we have seen in prior years. Compared to prior year survey there was a greater willingness to accept cuts in city services. There was a greater support for proposals to bring in new revenue to the city. Neither of which was evident in last year's survey to the same degree that they are this year. So of all the options available to the city while none may be options that residents are enthusiastic about, we see growing willingness to accept them. And the first as I indicated is in the area of service cuts. Now we had a question in the survey as we did last year that listed a series of potential public safety services. They could potentially be cut back and we asked the respondents to indicate whether they found each cut to be either

completely acceptable, somewhat acceptable or not acceptable. This slide, although overall out of the Public Safety service cuts we proposed, the majority rated two-thirds of them as not acceptable, the ones here the greatest degree of acceptability to residents, and you will see that a total of four of them were rated as at least somewhat acceptable by majorities, and those are the four at the top of the slide. Reducing public information desk hours deferring the opening of a newly constructed substation, eliminating responses to noninjury accidents and reducing hours dedicated to nonemergency patrols. However, obviously none of these are things that residents are wholeheartedly enthusiastic about. None of them has even a third that indicate that they are completely acceptable as service reductions. We see a similar dynamic in a question where we ask about potential cutbacks to neighborhood services. And here there were a larger number that at least a majority rated as somewhat acceptable. But again we see less than a third for every service we asked about rating it as completely acceptable to them. The top items here, generally involved reducing staffing levels or reducing the number of hours that a variety of public facilities are open. A second category of potential strategies for addressing the shortfall that we asked about dealt with public employees compensation and management of public employees by the city. And we had a list here of options, most of which drew broad support from residents. You'll remember that they did indicate that of the three major approaches this is the one that they most favored. You'll see here at the top of the list the items that they were generally most supportive of changing involved raises, overtime pay and procedures for making decisions about layoffs for city employees. Finally we also did ask about a variety of revenue options that the city might consider pursuing. The biggest one that we focused the most on in the survey was the potential for a sales tax which would be presented to voters and you'll see the draft ballot language that we tested for the sales tax here. As a quarter cent sales tax limited to 15 years the idea is this would be a general tax that would require simple majority approval. We also tested a variety of other potential revenue options that we described in shorter form and we got a mix of responses to these options as you'll see on this slide. For the sales tax we saw a broader support than we did last year, a total of 60% of voters indicated that they were at least leaning towards voting yes on it. 35% indicated they were leaning at least toward voting no. Even though we eliminate the softest category of respondents those were in the lean yes or lean no category that's a group that initially said they were undecided and only when we pressed them indicated a preference we still have a margin of 53% support to 31% opposition. Three other potential revenue options received majority support, increasing and changing the City's business tax, continuing the existing parcel tax to fund library services and increasing the

tax paid by waste disposal companies. Two potential options for parcel taxes which we tested at 95 dollars either as a mechanism for funding city infrastructure services or for funding Public Safety services were both rejected by a plurality of respondents in each case about half of those polled. Now for a number of these items that we've asked about in prior years we saw higher levels of support in this year's survey than we had seen in prior years' surveys, as I noted the sales tax in last year's survey was backed by a 54% majority of respondents but only a 11% margin of yes over no. That's up to 25% in this year's survey. The business tax and waste disposal tax also received somewhat higher levels of support although we should note from year to year we've modified the wording of some of these questions based on conversations about city's current circumstances and options currently under consideration. So they're not exact year to year comparisons but in general as we saw with service cuts there does seem to be some increasing willingness among the public to consider them. So with that said, there's one final item that would have to go to the voters. If the city were to move forward with it and that is a change to the municipal water system, which would allow the system to transfer additional money to the city as long as it stays within the existing rate of return authorized by the PUC for the San José water company. Overall voters indicated support for this by a slim majority, 52% to 29% although 19% not surprisingly said they didn't know, this the least familiar with the concepts that we presented the voters with in the survey. I'll be happy to answer any questions you all have and we have submitted a more detailed report. I would note I totaled it up and we presented the residents with a total of 48 different options in the survey for raising additional revenue, potentially reducing services or changing mechanisms for compensating public employees. And for any of those, you could probably take two or three of them and do a whole survey getting into the details of how they might work and the pros and cons. We really covered a wide range here but obviously there's a lot of depth on each of these that as voters learn more about it their opinions could potentially shift. So with that I'd be happy to answer any questions you have.

>> Mayor Reed: Thank you. I have a couple of questions about the revenue measures. One in particular had to do with the library parcel tax. I think it came in at about 56%, that would require two-thirds vote which we have gotten in the past. And seems to me we need to do some follow-up polling on that to frame that differently than what was done here and not included in a whole bunch of other taxes that we'd probably get a different outcome

because it has been to the voters and we got two-thirds, over two-thirds, not much over, a little bit over. Is that the way you would --

>> I think that's exactly right mayor and a case in point of the phenomenon that I just mentioned. Which is if we had had time to explain to voters in a little more detail that this was a continuation of an existing tax that's already funding libraries and if it were not placed in the context of a long list of other revenue options I think based on past performance voters would be more open to it.

>> Mayor Reed: And City Attorney or anybody else when do we have to consider going back to the voters on that particular one?

>> City Attorney Doyle: And this has been polled and identified as the general tax? General taxing normally need to be consolidated with regularly scheduled --

>> Mayor Reed: No library tax.

>> City Attorney Doyle: Library tax was ten year, when is the ten year --

>> Mayor Reed: That was the question.

>> City Attorney Doyle: I'm sorry I was talking --

>> Ed Shikada: I believe it's 2014.

>> Mayor Reed: We have a little bit of time to talk about that one. And the other one the sales tax in particular, I'd like to hear what you think about the probably yes category and the probably no categories and how firm are those? A lot of pollsters discount those because you're going to lose some of them especially on a tax measure.

>> Yes, as you'll see on this slide for each of the items we asked about there's actually six shades of color ranging in definite yes to definite no. When we ask voters about their support for these we do them in two stages. We first ask them if they'd be inclined to vote yes or no and they'd tell us if they're undecided. Then for those who say they'd vote yes or not, we ask them if they're definite or just probable, and for the undecided we ask them if they're leaning one way or the other. Our general rule of thumb for those that say they would definitely or probably say yes are more solid than those that say they're leaning towards it. Their initial response was either yes or no in the first half of the question. So it's a little firmer commitment than those who say they're initially undecided and only after further prompting say they're leaning. In the economic and political context where in last year's election in November only 58% of local revenue measures were improved. That's still an impressive percentage but it's down significantly from what it had been according to league of cities data over the past two election cycles. You just don't get as much benefit of the doubt from voters in the kind of economy that we're in right now. So that leaning group we think you -- you have to view with some caution but the definites and probables provided that there's a good campaign and voters are educated and they're more likely to stay together.

>> Mayor Reed: You don't discount the probables? You think you would win all those?

>> Obviously, a lot depends on the nature of the kind of campaign that's run but yes, experience generally shows the definites and probables don't erode as much as the leaners do.

>> Mayor Reed: Okay, City Attorney, on the tax measures what would it take to put one of these on the ballot?

>> City Attorney Doyle: The -- if it's a general tax which I think has been contemplated which requires majority approval it has to be conducted with a regularly scheduled election. So the next one would be June of 2012. The council can always declare a unanimous? By a unanimous vote an emergency and bring it up in a special election before then.

>> Mayor Reed: So if the governor has a another election in June with other tax measures, it would require a unanimous vote of this council in order to get one of our measures on at the same time?

>> City Attorney Doyle: That's correct.

>> Mayor Reed: And if we were dealing with June of 12, regularly scheduled election, do we need a majority vote or a two-thirds vote?

>> City Attorney Doyle: Majority vote. Can you put a special tax for two-thirds up at any time.

>> Mayor Reed: The other thing that we didn't do this is Paul, you did survey a lot of tax measures, but I don't think you asked anything about other things that might be going on the ballot at any other time. What might be doing.

>> No, because the election date at which the council might choose to put something on the ballot isn't clear we still don't know for sure if there will be a June election this year for example, we didn't presume to describe that context in the survey. But you're right, that would obviously have a bearing, particularly given if there's state measures ton ballot that yore lap in temps of a funding mechanism potentially with what you'd be putting forward. That's some that needs to be born in mind.

>> Mayor Reed: The other thing I don't think you tested, can't remember if we tested this last year is the impact of any fiscal reforms that we might do on making new voters inclined to help us on revenues. Obviously the fiscal reforms we did ask about those. But I don't think you tied these together to say if this happened would you be more likely to support tax revenue?

>> We did not do that in this survey. We have seen in other communities that linking reforms to a revenue measure can sometimes be helpful in amplifying its support but we didn't look at that explicitly here.

>> Mayor Reed: Okay, other questions? Councilmember Rocha.

>> Councilmember Rocha: Thank you. Slide 10, you already have that one up. I have a question, and maybe you don't know this. You might have to go back and look. But in terms of the order that you would ask these questions, does that correlate to support sometimes in your experience? Because if you are asking about the first tax measure I'm going to be a little more inclined when I'm asking about the eighth one my support is probably going to wane a bit. Is there any correlation that you know of or generally speaking is there anything you can testify about?

>> Generally speaking the order you ask the questions can influence the results. In this case we ask the sales tax first all the time. We got the cleanest read on the sales tax. I believe -- I'll be corrected if I'm wrong but I believe that would generate more revenue than most of the other options that we looked at here. And that's part of the reason we wanted to make sure we had a very clear read on that. The other options were all read in rotated order, for exactly the reasons you described. It wasn't because always one was first around always one was last, we wanted to even out exactly that bias.

>> Councilmember Rocha: In arriving at these questions -- this is my first year on the council, I wasn't here for the last one. Are these similar or identical. You spoke a little about this in your presentation, but how did you arrive at all these questions did you work at city staff or anyone here on that?

>> Yes, there's a number of questions that are asked identically to the way they've been asked in prior years. If you look in the survey report in the appendix, which has the actual questionnaire document, you'll see certain questions have a T symbol in bold, next to them. That means it's worded exactly the same way, so we can compare them over time. In other cases there are new questions or questions where we have modified the wording. Those were developed in connection with city staff and is provided to the mayor and the council to review at the end of the year as we develop the questionnaire before it goes into the field in January.

>> Councilmember Rocha: So council reviewed this -- so council reviewed this in December, these questions?

>> I apologize, councilmember, could you repeat the question?

>> Councilmember Rocha: Well this point I believe is that there was council review of these questions.

>> Tom Manheim: Yes, actually when the contract with FM 3 was renewed a couple of years ago, the council directed that in all our surveys there be an opportunity for councilmembers to review it before they're put out. We tend to rely on the expertise of the professionals but we wanted to provide that opportunity. There were a couple of changes made as a result of the review this year although I don't remember the specifics I could certainly find that out and get back to you. No just more importantly I was trying to understand the process so council reviews. The contract we have is how long? It's about a --

>> Tom Manheim: It's about three years old and set to expire in April.

>> Councilmember Rocha: What is the cost per annual?

>> Tom Manheim: The survey is around 50,000, 55,000. It depends on the length of the survey. It's sliding scale built in based on the length of the survey and the number of people that are surveyed.

>> Councilmember Rocha: Okay, thank you. So my one last question is more of an observation. But reading through this there's quite a few as you mentioned questions. And some of them to me seem quite obvious. Do you want a choice to impact someone else or impact yourself and obvious answer is generally, usually someone else. But looking through this I got a sense there was a point to this to get to another question, asked in a different way and you pointed it out in there so I kind of answered my own question so thank you.

>> Sure.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. There is a question for Rick. As we look at the sales tax question, I know there are issues with regard to having -- there are legal concerns about having multiple issues within the same ballot measure. And I'm not sure if that's a state prohibition or that applies locally as well.

>> City Attorney Doyle: There used to be but there was a case out of Los Angeles a few years ago. When you're talking about it's a single subject rule. It applies to the state. The courts have recognized that in the case of cities, you're in a financial disadvantage if you have to put separate measures, you know, a different item down. So this is a tax measure, would have to be a stand alone but there are other charter amendments and things like that. In the past we've not gone forward with because of the single subject concern. But just in the last couple of years the court, at least the court of appeal has ruled that way.

>> Councilmember Liccardo: Yeah, okay, that's helpful thanks Rick. I guess the question then is as we look at particularly questions 21 and 22, where there seems to be some support, significant support for a quarter-cent sales tax, had you considered and I'm just kind of interested in your experience from doing other polling in other jurisdictions, whether we might include a -- within the question a requirement that there be, for instance, a significant reduction in retirement benefit costs. And condition the implementation of the tax on that citywide reduction of retirement benefit cost. Do you have any sense in other jurisdictions where questions like that have been asked, how much of a boost do we get there?

>> It's a good question, councilmember. I can't remember a city where that's been done where those two issues have been married in a single measure. I can check with some of my colleagues and see if there's an example out there.

>> Mayor Reed: San Diego in the last election cycle had I don't know if it was one measure or two measures tied together, and a tax increase and it got tagged as the pension increase by the opponents and didn't do well, didn't pass.

>> Councilmember Liccardo: I can imagine that there's a lot that you could do to mischaracterize a measure like that. I'd certainly be interested in seeing if in fact we made a tax increase conditional on a reduction in cost, if -- how that might increase the receptivity much voters support a measure like that. I think we're awful close to -- I mean these numbers aren't really close to give people a lot of confidence in rushing to November for the sales tax number. I appreciate everything you said, but the reality is I think we recognize the masses can easily be swayed the closer you get to election, and leaves us with a pretty slim majority. Had you considered you know I saw that there were different ways of phrasing the tax itself, as a quarter% or a quarter cent, had you considered other options particularly on the fraction?

>> The question you're referring to is in the language of the sales tax that we tested --

>> Councilmember Liccardo: Yeah.

>> -- you'll see language in italics there three lines up. We had some internal debate on whether voters would clearly understand what we were asking, a quarter percent or a quarter-cent was more comprehensible to them as a tax rate. In this survey there was no statistical difference between the two so it doesn't seem that that distinction matters. Other ways of 40ing it, frankly we haven't seen big differences between them. As long as -- these kinds of sale taxes are common enough in California that I think voters are used to seeing it expressed a number of different ways and it generally gets similar support.

>> Councilmember Liccardo: I should have been more specific in my question which was if the fraction were to change for instance to half-cent and I don't even know if that's permissible under the state cap, whether we have room or not.

>> City Attorney Doyle: The quarter is clearly permissible. I'd have to get back to you on that. Yeah.

>> Councilmember Liccardo: Within the total limit but --

>> In last year's survey we tested a half-cent proposal and a quarter-cent proposal, and there was more receptivity to the quarter-cent proposal in last year's survey. But even here, just comparing the quarter cent from year to year there was more support this year than last.

>> Councilmember Liccardo: Thank you very much.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just real quick on the methodology of conducting the survey. I did notice that council district 3, 5 and 7 had 6 and 7% respectively in terms of respondents? Was that because the outreach was done that way or you know those districts have the highest volumes of people hanging up on you?

>> There's two factors that lead there to not be a totally even distribution across the council districts. The first is that obviously since the district lines were last drawn population shifts have occurred so the populations of voters aren't totally equal. Actually there's three reasons. The second reason is that when we filter down to a sample of likely voters, those whose past vote history indicates they would likely vote not in an even year presidential but an off year election, that tends to create more of a skew between the districts. And then the final factor is that for half our sample in order to make sure we were getting feedback from people in the community who were not registered to vote as well, we did a random sample survey where we just called randomly selected telephone numbers in the city. Which means we don't know the address of the person we're talking to. We try to approximate that by asking them to tell us the cross-street that they live nearest. But there is a sizable proportion of people understandably who declined to offer that forecast. So for those who do we try to estimate on a map with council district herein and for those who don't were not certain, and obviously, they may disproportionately come from one area to another. But for the portion of the sample that was drawn from voter lists that exactly matches the geographic distribution of likely voters, by council district.

>> Councilmember Campos: So did you do the same thing for -- from the demographic from the ethnicities, Latino and Asians make up 30% plus of the population, each of those communities, and yet in the poll they're only 19% each?

>> That's because they're underrepresented among likely voters relative to their representation of the overall population. Yes, what we did is weighted the community, make sure it ended up by ethnicity and age and gender and other variables. For the sample that was likely voters, we made sure it matched many overall population.

>> Councilmember Campos: Okay, thank you.

>> Sure.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. In regards to the phone it says standards cell phone and voter list. It says standard 44%, cell phone 60% and then voter list 50%, that's whatever number they happen to put on their voter registrations regardless whether it was cell?

>> Exactly.

>> Councilmember Kalra: We don't know the exact number that are sell, we don't know how many are cell phones from the voter resist?

>> We don't know exactly. We know roughly. There's data on the number it's not exact but it's about right. And then we have what they self-report to us when we call them and generally speaking in California it's roughly among likely voters 15 to 20% that are typically cell phone only and that's roughly what we got.

>> Councilmember Kalra: That's good. I think in the past that hasn't been targeted and test certainly more reflective of what we have here. It's interesting looking at the sales tax, the percentages from the sales tax, even after -- so even after reading the opponents and the paragraph, what likely a possible would say, pretty strong language regarding government waste and politicians and Democrats, the numbers don't sway that much, it seems unusual nor the -- it went from 62 to 59 or 64 to 62, depending on the verbiage, is that common, seems like it would be a much greater drop.

>> Yes, and this is where my caution to the mayor's question earlier applies. It all depends on the kinds of cafes that are run. We are walking through a series of very detailed pieces of information about if city's budget shortfall. We're holding out by the time we get to those messages at the end of the survey, the people we're talking to is much more indicated probably more than what the average person is today. So for these numbers to hold up as strongly yes campaign providing resources with the same kind of information. Were that not present or were there more active opposition the numbers might be somewhat different than what you see here.

>> Councilmember Kalra: Okay so that makes sense by definition they are an educating vote base. Prior to getting to the on the initial numbers.

>> When we ask voters the ballot question at the very beginning of the survey because that much more closely replicates the way in reality that voters would encounter this. Walking into the polling place or reading their absentee ballot language.

>> Councilmember Kalra: That would mix up so sometimes would you start off with the sales tax questions?

>> We always started with the sales tax, again, because again, that is the biggest potential revenue raiser.

>> Councilmember Kalra: I'm sorry, the ballot measures, do those always come at the tail end, after the service reduction questions and the wage questions?

>> Initially, before we got into all that information the pro and con message that you referenced came at the end of the survey. So they hadn't had any education at all at that point in the survey.

>> Councilmember Kalra: Okay so that even that includes after we give the opponents the paragraph.

>> That's right.

>> Councilmember Kalra: Okay, and so in essence, this data is not from an educated voter.

>> I may not be --

>> Councilmember Kalra: I think I'm not hearing it right then.

>> What you see up on the screen here is question 5, the first reference to the sales tax. That comes before there's any education. The question you're asking about where we present the supporters and opponents arguments are questions 21 and 22 they do come at the end. So this data comes from an uneducated voter, the pro and con arguments are presented to an educated voter. That's the distinction between the two.

>> Councilmember Kalra: I see, even that being said the 60% given I mean understanding that includes the leaning, the still relatively close the educated voters, as you said a few times it comes down to campaign is really how much education is really done during the course of the campaign?

>> That's exactly right.

>> Councilmember Kalra: Thank you.

>> Mayor Reed: Thank you thank you for the report. Before we take the public testimony we do have a couple of requests. I want to share some information that is relative to this the neighborhood association priority setting

session because we asked some of the same questions of our neighborhood leaders so I've got some slides here to run through quickly. Councilmembers will have seen these questions in the report not all of them were covered today but in the staff memo you'll -- these are questions all based out of questions in the polling data. And so the first slide has -- this is about 100 people, participating, and over 80 neighborhood association leaders, youth commissioners, and some neighborhood commission folks participating. We had a couple hours of educating them and a simulation exercise and there will be a report on that later. And at the end we did a clicker exercise so everybody got to vote whatever position they wanted to. So we asked them a series of questions, got to get these questions up so you can see them.

>> Mr. Mayor, we're having some difficulties with the slide right now. They're still loading it up.

>> Mayor Reed: Okay. Looks like we're close. Maybe we asked a series of questions and everybody that was participating had a clicker they had four or five choices to choose from. And we went through and did questions and answers on each of the questions. But it's clearly a well educated group of people, many of these folks have been neighborhood leaders for a long time so they come with a lot of institutional knowledge in the group. But it's kind of interesting to look at the responses from the neighborhood leaders compare it to the public at large. This is definitely not a scientific survey, it's not a sample. It's just the folks that came to the meeting. And so while you're putting that up I will go ahead and take the public testimony so we don't have to wait on it unless you're ready to go. Do it by hand, the old-fashioned way. That's for councilmembers, it's on the left screen. Get it up, is it up? It's up, all right. Everybody can see this. This was the first question about approach to solving the budget deficit. We've asked this question several times, reducing compensation, reducing services or raising additional revenues. You can see that first choice there is the reducing employee compensation and benefits, similar to the poll the last couple of years. With the others split on services versus revenues. Second question we asked about contracting out city services. The yes, willingness to consider contracting out, pursue contracting out some services. 67%. Third question was the preferred strategy for dealing with rising costs in the police department. And as you can see, we limited the choices here on the premise that we're down at the end and we've done all the other stuff and these are the last choices because councilmembers may find ourselves in the same position, between closing libraries and community centers, laying off police officers or seeking wage and

benefit concessions. And you can see there, that 86% prefer that we get wage and benefit concessions over layoffs or closing libraries and community centers. Ask the same kind of a question for a fire department. Pretty much the same result. Got 89% prefer wage and benefit concessions. Next question was on changing the sick leave payout policy, whether we should change the policy of paying city employees for a portion of their unused sick leave. Again that's 86% a yes, to consider the change. Next question was, on the maximum pension benefit for newly hired Public Safety employees. Basically our second tier, one of our second tier questions. And you can see that on the far left is basically keep it as it is, keep it at 90% at 6%. And then some percentage for 75, highest percentage in the middle there is at 60%. And then tailing off at 50% or lower than 50%. But only 6 per, I think we got to keep it the way it is, that was for newly hired Public Safety employees. The next one is retirement age question for others. I'm sorry. Retirement age, not the retirement percentage. The retirement age, 50 years, keeping it there or not, about five, 6% keeping it at the age that it is thousand with a spread over age 55, age 60, age 67, 65 or 67. Again with the highest number being at age 60. Next question had to do with nonpublic Safety public employee retirement age. 55 is the keep it at age 55 is on the left at around 5% then again the highest number there, the biggest one is age 65. Question 9 was, whether or not we should modify the cost of living adjustments, the cola, which is currently 3% fixed guaranteed annual increase, and again, that one was 84% yes, lower the cola, 16% no, leave it the way it is, and the last question we asked were some alternatives on pension and health care packages, so on the left is maintaining the status quo at about 13%. A defined contribution plan such as a 401(k) is in the middle and the hybrid plan is on the right at about 55%. So it's interesting to see the differences between this and the general public, these are well educated, well -- well typically experienced neighborhood leaders that showed up at a meeting. These are we will post this on the Website if anybody wants to take a look at it. there will be a follow-up report after the people who ran the game simulation are able to accumulate all the information we had with ten or 12 tables of people running the simulation. Any questions on that exercise? Some of the councilmembers were there. I remember seeing Councilmember Oliverio, Councilmember Constant, Councilmember Kalra I know was there the year before, I don't know if you made it this year or not, I can't remember and others, Councilmember Herrera was there. Councilmember Rocha and the rest of you came in I missed you, sorry. All right, some public testimony on this. I've got two requests to speak, Angelica Cortez and Yolanda Cruz. Angelica come on down and Yolanda is here.

>> Good evening, my name is Angelica Cortez and I'm with the Silicon Valley council on nonprofits. I just wanted to comment on the survey's results and the public voting at 63% to approve reducing city funding to support services. Nonprofits provide an array of services that support service to the residents in San José. It is important to word surveys that reflect actuality, we would expect this not grants for service within funding streams, such as HNVF, CDBG and others. Grants are specific to city needs such as senior wellness after school and mentoring programs to keep kids safe and out of gangs, legal services for seniors who may be facing elder fraud, tenant landlord issues and antiing gang intervention programs. The Silicon Valley council of nonprofits just wants to ensure the survey accurately portrays nonprofits as partners in the delivery of services to residents which is much greater than supporting local charities. SBCN realizes the city has a but nonprofits often are able to leverage additional funds beyond the city contribution thereby augmenting funding for services. In HNVF alone the \$6 million base, the HNVF legendary resulting in \$32 million in services to the City of San José. The city gets great value in contracting services provided by nonprofits and the community and the council need to be aware of the cost-benefit of using nonprofit services. We hope the council's mindful of this leverage by our nonprofit community and delivery of services to seniors and youth in the City of San José. Thank you.

>> Mayor Reed: Yolanda Cruz.

>> My name is Yolanda Cruz and I am the president of AFSCME MEF. I want to first acknowledge that the AFSCME noint negotiation team is also here in the audience. I'm here to provide you with the results of a survey that AFSCME zero dollars and was done entirely on volunteer time. I want to call to your attention how any poll that has biased questions with equally biased questions can achieve the results you seek to help validate your claims. First a little over 900 residents randomly surveyed is actually less than the total number of AFSCME city employees that live, work and vote in this city. We conducted our survey, and outreach to 500 users of city services, and our results were as such. The first question we asked is, how would you rather spend \$45,000 of your taxpayer money in San José? The first was to help keep the number of hours a community center in my neighborhood can stay open, that received 62%. The next can, buy over 3,000 books in the public library, that received 19%. Help fund the 911 dispatch center, that received 18%. Conduct a politically motivated survey that unfairly targeted city workers that received less than 1%. The other question we asked was instead of wasting

taxpayer money on rigged surveys, San José politicians should be spending resources and energy to finding real solutions to the budget that do not punish public services and middle class families. 76% of the people surveyed strongly agreed with that statement. 18% agreed 5% disagreed and zero strongly disagreed. Our results shows that the city services that AFSCME city employees provide in the communities you represent are valuable resources and services that your residents want to have available. AFSCME is ready to work with the city to find real solutions to the budget that do not punish public services and middle class families. Thank you.

>> Mayor Reed: That concludes the public testimony. Councilmember Oliverio.

>> Councilmember Oliverio: Question for the survey person. You know I think the questions always come up again and again, how many people do you need to survey to find actual opinion. Some people say you could do 50 of likely voters, 100 likely voters, we've chosen a larger number. Can you speak to that?

>> Sure. The overall margin of error for the survey if we look just as the subsample of voters that we talked to is 4.5% and that's dictated by the fact that it is a random sample drawn from the pool of likely voters across the city. If we take the total number of interviews that we did, it's obviously split between two different universes in terms of the voters and the general public, but a random sample of 900 has a margin of error of a little over 3% total. We could have interviewed 2,000 people and only caught the margin of error by about another 1% or so just based on the statistics that lie behind how that's calculated so the key is to make sure that you're interviewing a random sample and once you've done that that's what allows to you quantify how representative it is.

>> Councilmember Oliverio: And your firm conducts these in California and nationwide?

>> All over. p.m. and then I guess do we as a council make it more expensive because we ask for certain parameters? We want you to not only -- like if I said do registered voters and I don't care who they are I would assume it would be easier and cheaper?

>> Yes. The cost of the survey is driven by a number of factors. All of which have good reasons behind them. The fact we do it in multiple languages. The fact that it's a lengthy survey. As I mentioned all the items we covered in the survey is a little more than 20 minutes long and you need to make a lot of calls to complete interviews of that length. As well as the fact that a portion of the survey we're not just interviewing voters but we're trying to get a representative sample of the broader population. That's actually a little bit more expensive to do because we are not pulling names from a prespecified list of respondents. So there's good methodological reasons for all of that but that's part of what contributes to the total cost.

>> Councilmember Oliverio: I think there is two sides, one that wants to let you know are the voters willing to accept some tax increase so you have to go to the registered voters, the other is what does the general populous think. As just exhibited by the last two speakers, we typically only hear from people who are paid to be here and I think this is part of the mayor's budget process is to outreach to people that will never show up to a council meeting, to have community budget meetings in each district, to have neighborhood association meeting, with, you know, having the, you know, the informed neighborhood residents understand some of the tradeoffs and choices that council makes. There is a cost to it but I want it to be aware that the council creates some of that cost by choosing on how what pool to pull from and in your experience you're doing this all over the place, I'm seeing extremely strong, over 70% on many items. People should get raises based on performance not merit, people should -- layoffs should be based on merit or performance instead of seniority. People think we should switch to a 401(k), people believe that we should not allow people to do union business while they're getting paid on the city dime. Does that -- these types of strong sentiments, do those spread to other cities that you're seeing?

>> It all depends on the context, councilmember. I mean, generally speaking I think it was Councilmember Rocha that pointed out if you offer people a choice between a solution that affects them a lower level of service or paying more in taxes versus something that affects public employees, they are far more likely to support something that they don't see as impacting them directly. And that pattern is consistent. We do see that a number of other places. But obviously for all of the options that we presented the voters with on the revenue side on the service cut sides and on the public employee compensation side there's lots of additional context both pro and con that can be provided. And we've seen different results from different communities depending on how much you get

into. But I will say the overall trend of results we're seeing here is pretty similar to what we're seeing in most cities around the state.

>> Councilmember Oliverio: And you know we've obviously announced the contract's up in April. At the end your firm like many and you've actually done this for us now for five years approximately right? And my guess is to say that whether it's your firm or ABC survey company or XYZ survey company you're roughly around the same price point. Seems like this is a very expertise skill set. It's not like no one is going to have us make the calls because we need a third party do it. Inevitably if you want to reach people you're going to have to go to a survey firm.

>> I think it's fair to say there's a standard set of best practices similar firms are pretty consistent in the way that we apply them and what it ends up costing.

>> Councilmember Oliverio: So when we read in the paper that the Governor's Office does a survey to see they're hiring someone like you?

>> That's right.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: I think that's it on the questions.

>> Councilmember Nguyen: Move for approval.

>> Mayor Reed: Motion to approve. All in favor? Opposed? None opposed, that is approved. We have a few more items of business before we're done. Move now to item 4.1, that's an exclusive negotiation agreement with first community housing for the Japantown seniors affordable housing development. We have a motion by Councilmember Pyle to approve, I have no speakers, no staff report, all in favor? Opposed? One opposed, Oliverio opposed, one councilmember absent, so that is approved. Item 4.2, is a -- accept a FEMA grant from the

California emergency management agency with to assist with the mobile home seismic retrofit program. We have a motion to approve. Councilmember Liccardo.

>> Councilmember Liccardo: One quick question, I see Leslye's not here but maybe Joe will be able to answer this. Oh, thank you Jackie. It really has to do with the seismic issues we have in radio lot of our multifamily housings. Multifamily residential structures. I'm hearing from a couple of folks who are concerned and some who are in the industry, so I know there are certainly different incentives involved here about San José not requiring seismic upgrades for soft story multifamily housing. I understand we got grant money here to do this work on the mobile homes. I'm wondering if there's similarly grant money to be out there to be retrofitting multifamily structures from a same or similar source and whether or not there's any likely PBCE requirement in this direction? I'm sorry, I just -- thank you I'll take whoever wants to talk to it.

>> James Agee with the housing department. I think I can answer that. The funding that we applied for under the FEMA grant it can be used for an array of different things but you have to plug in certain criteria to determine whether or not that ranks high in their cost and benefit analysis and that particular use did not. So we actually did plug in some statistics to see if we could apply for a grant for that and it just didn't fare very well.

>> Councilmember Liccardo: Okay, thank you, I appreciate that. I guess the second part of that question is, are we likely to require retrofitting? And I believe several jurisdictions are either requiring valuations or the actual retrofit. I know Oakland is out there and other locations are too.

>> Joe Horwedel: Councilmember, Joe Horwedel, Planning, Building, and Code Enforcement. This is similar to the unreinforced masonry buildings, that we ultimately did enact requirements for that we looked at that a little bit but we have not come back with a standard thus far. We're talking with the other cities in the region about that issue. San José State actually did a survey a number of years ago that assessed the risk of soft story apartment buildings in the Bay Area, or the South Bay. We've never been able to get a copy of that report. We've asked for it, kind of tucked away and there's a lot of concern about it. Once that becomes known, it is then, does that change risk liability, responsibility for property owners, so it's one that we've tried to be very deliberate about

moving forward on. We are looking at, as a part of the future code cycles that issue is something that's being talked about should there be similar to the unreinforced Masonry buildings. It is something that happens much like the Northridge earthquake, where it triggers much more discussion. We're trying to get in front of that a little bit but we don't want to get too far in front because it is a major price issue the cost to do that for apartment buildings. Some owners are doing it so it is something that I think insurance companies are starting to ask about, companies that have mortgages are, so it will work from both ends to find a solution but there's nothing short term that we would be implementing on that.

>> Councilmember Liccardo: Okay, I appreciate these are complex issues and we won't all handled here but I think we would all prefer that this be addressed before a major earthquake rather than after. Joe maybe we'll continue the conversation offline. Thanks Joe.

>> Joe Horwedel: Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: . Thank you. I just wanted to say that I've witnessed the mobile home owners that have received help in the past and they're just so delighted that they're getting help. And it is amazing how much more damage can happen with a mobile home than any other structure. So I think that this \$3 million is well spent. And it is a grant. So there is no pay back, is there? That I'm aware of. It's just a grant.

>> Mayor Reed: Those are the best kind.

>> Councilmember Pyle: Those are the best kind and I think it's a grade wonderful thing for the mobile homeowners.

>> Mayor Reed: We have a motion to approve, all in favor, opposed, none opposed, that's approved. Item 4.3 is implementation of economic strategy work plan. There's not going to be a staff presentation on this but I wanted

to take a couple minutes to acknowledge the work the staff has done. Because it was a year ago, February 8th, that a study session on economic strategy update to the council approved for highest priority strategic goals and 15 highest priority action items. And the highest priority business attraction/retention and development initiatives. And a lot of people have done a lot of work since the last year and I want to acknowledge that because they get an A. I think for this year's plan, that's the office of economic development, Redevelopment Agency, business development division, Planning, Building, and Code Enforcement, fire department, Public Works and transportation, the airport Work2Future, development services project manager and a special note goes to Ed Tolentino, chief building officer who is retiring soon delivered a lot of projects and collectively we had net job growth for the year and that didn't happen by accident and we're fortunate to have net job growth because of the work that I say deserves an A for the year. So I have a couple of slides that I want to share. First slide, I don't expect you to read all this. That's a list of 35 businesses that were processed through the special tenant improvement program. 49 businesses processed through the industrial tools installation program. Ten businesses processed through the coordinated review program and six businesses processed through the small business ambassador program in the last year. That's why we have net job growth this year because we have done all this work helping these companies stay here and grow here. Next page acknowledge those who haven't seen one in a long time, that is a concrete pumper sitting in the middle of the construction zone. You remember those from those years ago. Building permit in December, 1100 apartment units fairfield also pulled almost 500 permits or permits for 500 units and they wrote checks to the city for \$13 million. That's going to pay for a lot of people to do a lot of work and there's more coming behind it and this is the result of the work done by subset of our team the jobs and get them over the goal line before year end. So we're looking at hundreds of millions of dollars of private investment. Thousands and thousands of hours of work for our own employees to do this, and some revenues as well. And that's a really good thing. So the staff has done a great work, and I just want to let everybody know that we have a Website called choosesan José.com. They posted some of the testimonials on there as well as a reason why the company should make that decision to choose San José so we can continue to grow our economy, grow our jobs and I'm looking forward to seeing that start to show up in city revenues as well so we can have a discussion how to spend money instead of how to cut money. But the top testimonial there is from harmonic, they occupied a building out on North First Street on 237, you can see them as you drive by 237. They had a tough schedule. Our team as they had done many, many times met with them, figured out what the

schedule had to be, met the commitments and came through, that's exactly what they're saying. Thanks to the team, hard work, congratulations of you get an A for last year but of course we expect more for this year so we'll raise the bar. So good luck to all of us. Let's hope we get net job growth again in bigger numbers, it will happen because our team does good work. Any other questions or comments on the report? Motion to approve? All in favor? Opposed, none opposed that's approved. Cards for open forum. David Wall. Had one he submitted earlier but I think he has gone. Sara Larson, Norman Larson. Come on down followed by Judy Bueter and Eric bender. Or maybe it's Judy bender. Come on down, sir, you're closest.

>> My name is Norman Larson and I'm from south side, the only senior center in District 2 and I wish to bring a complaint about the attitude and the actions of our center supervisor Jeanette Meyer and the advisory council under the director of Shirley the president. You may ask why am I speaking to the city council it is because I have already brought problems specifically about the advisory council to my councilman last September with a response that the advisory council is an independent organization and any problems you may have are internal to the organization. A request for the procedure to lodge a formal complaint about the city supervisor's actions has been met with silence. I also wrote a summary to parks and rec Albert Balagso director and Angel Rios deputy director requesting that investigative audit of Southside, again, no response and that has been four months. As far as bringing issues to the center supervisor, Meyer or council president they back each other up 100% and the only resolution to any problems is do it their way. These south side. The bottom line and requested previously of all these people was that we need an independent investigation of south side and of its advisory council officer's actions. I have way too many specific examples for a two minute time allotment but a brief summary is by Ms. Meyer and advisory president, showing bias and favoritism and by the advisory president a determined attempt to silence and degrade showing favoritism yelling using foul language, threatening lawsuits pend pounding the table, all in invitation is oath of office. This summary shows all that is not well as Southside and needs to have an unbiased review. Thank you for listening and there's a couple of people that have some specifics to add to it. Thank you very much.

>> Mayor Reed: All right.

>> My name is Sara Jo Larson. I was treasure for a few months at Southside and I was constantly requested to do things against the budget, writing letters, writing checks that were not allowed to be written and for that, three of the members of the executive council said, you're out because I wasn't hand picked, and wasn't doing exactly what they wanted me to do. I have two examples of what my husband was talking about. First is about supervisor Jeanette Meyer. After an argument with her, wasn't really an argument, she told one of the seniors they could not volunteer. And that they had to leave. And I approached her, and I said, this is wrong. Volunteers should have a right, seniors should have a right to volunteer because it is something that they need to be able to do. She got angry with me, yelled at me, and said, get out, get out of this building, go. Or I'll call the police on you. There is a police record on that, because we called the police in. Because it shook us up so much. She followed that by coming into my ceramics class, throwing a code of conduct thing down at me. When I turned to face her to look at her, she jumped back, threw her arms up and said don't touch me, don't ever touch me. And yelled, and then she walked out. My whole class was, couldn't figure out what was going on. And then my second is involving the president Shirley Parrish. After the audit meeting in last year -- of last year's books, one of the findings was that she had used the council debit card on four occasions, three of which were for personal use.

>> Mayor Reed: I'm sorry, your time is up.

>> Okay, thank you.

>> Mayor Reed: Judy bender and Eric bender, whichever one wants to go first, go ahead.

>> Mr. Mayor, council, and I would like to thank the City Manager for getting Chris for our Chief of Police. I think it's so great to, inside our city, to promote. But that's not why I'm here. I'm here because last week, I was over at willows and I set down to use the computer, when the chair with big enormous rollers, attacked me. The chair went over, as I touched the mouse it went back, it hit an abrasion of metal that connects the tile that the city had put in during Christmas and the carpet. The chair went down, and going down, I could not stop my body from going down. And in the interim I have two double knee replacement. I have a Roto cuff that has metal in it thanks to the city. I have been under medical attention going back and forth checking where the metal is in my knees with

Dr. Dearborn and with Dr. Kayo who did the shoulder. So now I have this problem. I filled out the report, and I called Ken Wright as a courtesy to let him know what had happened and in doing so he tells me that I have to refer to Dr. Dearborn for all my medical even though Dr. Dearborn does nothing on the shoulders, nothing on the back, nothing anywhere else except for knees and hips. So I called Dr. Dearborn's office, they need an okay from Ken Wright. Ken Wright says okay I need their fax number. I call and said send Ken Wright your fax number. Ken Wright sends a fax back, 4:45 Friday, not to see me, not to take an X ray of these knees, that I am having trouble with, with black and blue marks where I was attacked by that chair. Because I don't want to say I fell because I didn't. The chair did it. And I resent that, that I have keep going through this mayor.

>> Mayor Reed: I'm sorry, your time is up.

>> Okay, does anybody want to ask any questions?

>> Mayor Reed: But I'm going to have you talk to this gentleman when we're done he'll follow up on that. Eric Bender.

>> Good evening, I'd just like to say that my mom's been a volunteer for like 25 years or so, and you know I mean suddenly, there's some sort of a form that may not have gotten filled out or something like that, that says she's a volunteer but she's been a volunteer forever, I mean ever since I was a kid and stuff and she's been volunteering ongoing even to this day. The other thing is I actually was a volunteer too and I served food during barbecues and helped pick up tables and chairs and things like that at the senior center and I never filled out anything and so suddenly now there's this form that eventually is against my mom with some of the issues going on at the Southside. And one other thing I don't want to use up all my other time on that, is about the pinball, pinball at the various pizza places and things like that, they're being systematically 900 bucks or something like that per month. And these machines are 25 cents a pop or maybe 50 cents. \$900 a month with repairs or something else, there's no way that these guys can afford city is getting nothing from these pinball machines that people do play while they're waiting for their meals and so forth and what has replaced it? Empty space, empty space and no city moneys for these pinball machines so that's my other beef. Thank you.

>> Mayor Reed: Thank you, that concludes the open forum. I'd like to have you folks talk to Ed Shikada who's over here. He'll try to sort some things out for you and get you to the right place to deal with those issues. That concludes the open forum, that concludes our meeting, we're adjourned.