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>> Mayor Reed: Tonight is the first, perhaps not the last, but certainly the first, ever mayor's budget message workshop. Something I'm trying a little bit differently. Before I get started I'd like to introduce some of my councilmembers here. Councilmember Constant, Councilmember Kalra. Those who have to figure out what to do over the next few weeks. Those of you who have been involved in the budget process, may people like this is a never ending novel and every time you think you're at the last chapter, there's another one. These electronic books, there's never ending. It seems like we're in that process. We started out with a scientific survey of our community, we had a neighborhood association session, in here, we had a session with councilmembers, and our senior staff, and priorities. We had a March budget message. Then we had the managers proposed budget May 1st. We had weeks of hearings, ultimately in June we adopted a budget for the city and a budget for the redevelopment agency. Knowing that there were some uncertainties in the redevelopment agency, knowing that we were going to have to come back and reconsider it, we just didn't know how bad it was going to be. We knew that the State of California was proposing to take some of our money. They did. \$75 million is their proposed take away, on top of the \$13 million they tried to take last year, we litigated over that 13 million, they came back to take 62 million in this fiscal year and another 13 million next fiscal year just to make up for what they lost in the courts last year. So we are now faced with this redevelopment agency budget of coming up with \$75 million to pay the state of California \$62 million is due on May of this next year, May 10. And \$13 million next year. Now, I've got a PowerPoint presentation, I'm going to have to get it started or I'm going to get ahead of it. I don't know who's running it. There you are. There's the schedule we got to pay. State of California makes the rules. State of California can take away and they've done it. This will be litigated again, the California redevelopment association is already in the courts. Because what the state did last year that they lost on they're trying to do this year. Last year they did it with the left hand, this year they tried to do it with the right hand. the trial date is February 5th. We'll probably get a decision in March or April. Then there's the appeal process. It's probably two years from today whether or not we know we can win with the legal challenge in the State of California. In the meantime we don't have a lot of choice. We have to give them the money. If we don't give them the money there's something called the death penalty. There's some of the provision of the death penalty. It basically would require us to shut down the redevelopment agency, would end our ability to enter into new contracts, would affect the money that flows through into our affordable housing program. That's why we're call it the death penalty, essentially it would put the agency out of business. So what we could consider the death penalty as one of the alternatives, it's not really a palatable alternative. We're trying to come up with the \$75 million to pay the state of California in these two increments. And that's one of the big uncertainties in this budget. So tonight during this process it's a workshop. It's a little different than anything we've done before. This is not a time when everybody is going to come in and testify like we do at a council meeting. While we've already had hours of testimony and council discussion on this, so tonight my objective is to try to get the issues out on the table so that people can ask questions about them, so that I can -- you know, we can have some discussion about the key issues. I will ask you to help us setting priorities on some of the proposed spending in the budget, and I say some it because most of it we don't really have a choice. But there is some discretionary money in there that we could choose not to spend. And we'll talk about that. You have a packet, a hand out that's got a list of things. We will come back to that later and I'll ask you in a process to help us set some priorities. We'll talk about spending that's what we called encumbered funds it will basically contracts that have already been made, community centers in the middle of construction but we'll talk about those. We have a chance to ask about encumbered funds. Chance chance to talk about the nonencumbered, not really discretionary, necessarily, but funds that are proposed for spending under the capital expenditure. And in your packet you'll see a list of the proposed capital expenditures and a list of the encumbered fund expenditures that are proposed in the budget. We have staff here so we can answer questions. But the process is, the redevelopment executive director puts out a budget proposal, October 26th that came out. Had a couple of council hearings. And on Friday it's my job as the mayor to put out a budget message which solves all the problems, makes everybody happy, ties it all up in a bow. And so how many days do I have left? Not very many to figure that out. One of the reasons I wanted to have this workshop is so we could identify problems and issues and solutions to the extent anybody has good ideas on solutions, I'm open. And that's part of what I wanted to accomplish here tonight. But this is not a time for people to come say what not to do. We do that a lot. Tonight, I'm hoping to get suggestions on what to do. And how to solve some of these problems and some of the alternatives that we'll discuss. So the challenges and solutions, and alternatives to be discussed tonight, are on this PowerPoint here. Housing is the big one. The impact on the affordable housing program is of great concern. We've had hours of testimony so I've heard from lots and lots of people so I have pretty good idea what the issues are. Housing is a good one. The uncertainties that we face in a half a dozen different areas. We've got a huge amount of uncertainty going forward and then the priority for the possible spending on the projects to look at. Given the fact we have so many uncertainties, we need to know what our priorities are. We'll talk about the

encumbered, the committed projects you understand what notices are, hoping to have a time here to get some other ideas on solutions and alternatives, and then we'll go home and I hope to go home before tomorrow morning. There are a lot of people here. I think we'll have overflow crowd in the council chambers but everybody will get a chance to participate in the priorities setting part of this because we'll do that in writing. So everybody will get a chance. So with that I'd like to turn to the first area of discussion. That's housing. The big question, of housing, is if the agency proposal to borrow money from the housing department, if the council approves that, this is the proposal. To borrow \$40 million in this fiscal year, we're already almost halfway through it and \$35 million in next fiscal year in order to pay the state \$62 million in this fiscal year, in May, an \$13 million the following year. Well, I think the question a lot of people have is what impact does that have on our housing department? And the affordable housing program? If you take \$75 million out of it? So I have another slide. There's a lot of information in this slide because there's a lot of things going on in our housing department. So what you see is, if you take \$75 million out, here's what's left. The bottom right-hand corner is \$216 million over the six year period, that includes new construction, homeless, grant programs \$214 million. The slide does not include the \$75 million pay back from the borrowing. It does not include the \$90 million in administration that gets spent over this time period for all the staff to run all the programs. And it does not include the \$200 million in debt service to pay for old projects. So when the money goes into -- from the redevelopment agency, the tax increment goes into the housing department, the housing department incurs debt to build projects and that has to be paid back over time. So we have debt service every year to Fay. That's not included. There's \$276 million of programs over the six years. The \$75 million could come back -- uncertainties. The \$75 million could come back in year 2, if we win and the state gives up like they did last time or it could come back in year 3, 4 or 5. If we win, and the appeal is carried out. Or it could come back in year 6 because the state law that set this up says if you borrow the money from the housing department you have to pay it back after five years. Well, what if we don't pay it back? There's a penalty in there. And the penalty is that the 20% that goes from the agency into the housing department would jump to 25% if the money doesn't get paid back after five years. The money could come back in year two three four five six, on areas that we can't fully predict tonight. That housing supplement that comes out of the -- we don't need to get into that level of detail. The next alternative is, what is the alternative to borrowing the money from the housing department? These are the compilation of ideas that I've heard that might be an alternative to borrowing from the housing department. So are there other funds that the city has which could be a source of a short term borrowing like this? The park trust fund, sewage treatment connection fee fund, ice center fund and some other funds but those are the large ones. None of them have \$75 million in them. But a combination of them could work in some fashion to cover part of it. Or the housing department can borrow money, to cover the \$75 million loan to the agency, and that's part of the agency's proposal, is how to mitigate the impact on the housing department, is for the housing department to borrow money that then covers the state take, and when it gets paid back by the agency, pay off the debt. The other alternative is, if you look into budget in the categories of capital expenditures, and operating expenses, operating expenses are for redevelopment staff and payment by the fact that the agency is governed by the city council and they've got a share of the cost. But if you've got those two line items for two years it's \$130 million. 50% of that is \$75 million, it doesn't leave you much money for operations and it has no capital program or we could accept the death penalty, some of the alternatives that have been outlined so far. Here's where I would like audience participation in this workshop. First, questions about what these alternatives we've identified and then to suggest other alternatives that are on this list that maybe we haven't considered and that's a chance for you to get on the table some these solutions. So you don't need to tell me no on any of these. I know the answer is no on all of these. But we're looking for alternatives. I'm really looking for suggestions on other ways to do this. I come into this meeting after hearing all the testimony, I know the answer's no on all of these but we don't necessarily have a choice. We have to do something. With that I'd like to open it up for anybody who has questions first on these alternatives, what they mean and then we'll talk about others that aren't on this list. So we've got a couple of folks at the microphones, Michelle McGurk has got one, Michael Hansen has got one. We have a couple of microphones so everyone in the council can hear you. This is questions.

>> Yes, can you go a little bit more to the third no option there, what that would actually entail and what the impact would be capital operating and so forth.

>> Mayor Reed: If you reduce the capital expenditure 60% over two years you do the math. 20 million for the city, 10 million for the agency plus or minus a little bit each year. So \$35 million doesn't get you very far on the staffing. And that's zero dollars for our capital program. No projects. But you can do the math and you can get to 75 million that way. But if those two line items, there's only \$130 million over the two years to do it. Ross.

>> Ross Signorino: Mr. Mayor.

>> Mayor Reed: Yes, go ahead.

>> Ross Signorino: What kind of ground rules do you have about how many questions can we ask, how long you can ask them? What ground rules are you going to set?

>> Mayor Reed: Just ask your questions, Ross.

>> Ross Signorino: Do you intend to allow people to ask any questions they want --

>> Mayor Reed: We are going to allow a lot of people to participate, so we don't have any arbitrary limits of any kind, so ask the question.

>> Ross Signorino: That is my question, one question or how many questions?

>> Mayor Reed: Ask one, and then we'll go to somebody else and we'll come back.

>> Ross Signorino: Thank you, Mr. Mayor.

>> Mayor Reed: That was an easy question.

>> I mean, obviously we need to be balanced and fair and there shouldn't be just one victim here that we balance the budget on that back, on one organization's back. But I think we need to look at all the expenditures not just the new ones. What are -- not just the new ones. what are the reductions possible in the list of encumbrances. For example, there's these toilets downtown --

>> Mayor Reed: We're coming back to the encumbrances.

>> What about the money that's for the toilets downtown, \$2,700,000 over five years and just give \$10,000 to like 20 businesses and allow them to you know, have public facilities in the restaurant or something like that. We could save about \$1.7 million on just doing that.

>> Mayor Reed: Okay, that's on the list as squeezing the money out of the encumbrances. We know that we can squeeze some money out of the encumbrances. I 30 there's \$49 million of encumbrances in the first year. So if we were to squeeze them by 5% it gets 2.5 million. Bob.

>> Bob Brownstein: My question is somewhat similar. There is no reason why we have to select one of these bullets. We can mix and match. We could -- am I not correct, that we could take 15% out of capital, and ask the housing department to kick in 25 million, and borrow 5 million from one city fund and 15 million from another city fund?

>> Mayor Reed: That's right.

>> Bob Brownstein: As long as it all works out arithmetically, we're still in business.

>> Mayor Reed: Right.

>> Does this include the \$13 million that we already did win back from the state since we don't have it yet, right?

>> Mayor Reed: No, the 13 million that we litigated over last year we never gave to the state. Because you know if you give them the money you never get them bang we got a restraining order along with the other agencies that we didn't have to pay the money, and when they gave up the lawsuit we still have it, in the beginning balance, we start off with money from last fiscal year and that money is still in there.

>> Does that include money we're going after them right now as well?

>> Mayor Reed: Unfortunately, we have got to set it aside because right now we'll be trying the case in February, asking for a restraining order to keep us from having to pay them the money, and then while it's on appeal, we get to sit on the money. And hopefully, win the appeal, and then we have the money. But we can't spend it, because it's really due to the state until the litigation and the appeal are over.

>> Basically in a trust until we decide what we can and can't do with it?

>> Mayor Reed: Yes.

>> And then it goes back into wherever we took it out of?

>> Mayor Reed: Yes.

>> The city's doing this, what activities, what cutbacks are they doing both last year and this year about how they're handling the matters?

>> Mayor Reed: Other cities are in a different position in many cases. One of the reasons the governor was supporting taking these redevelopment funds is if you look statewide at redevelopment agencies, a lot of them are not spending their affordable housing dollars. Everybody has to set aside 20% for affordable housing. We have the most successful affordable housing program in the state. We've actually built 18,000 units, we are spending our money. The governor looked at this money laying around as he put it so other places, the reason it's easy to borrow from their housing funds is they've got money sitting there not using, it's not stressing out their program, it's a little different from every city, when I talked to mayor Sanders of San Diego, he didn't really care when they were lobbying because their agency had cash. They were able to just write a check but we're not in that position.

>> Assuming that we help out the RDA or whatever come up with a solution is, what are we going to do to tighten down their management when we look at the amount of money that's uncollectible being deferred for a long period of time, highway is their financial statement? 16.8% of the loans receivable was written off as uncollectible, another loan not going to be paid off in 2096, right here in writing.

>> Mayor Reed: I'm not sure what you're looking at, is that in the handout?

>> No, in the financial statements of the RDA, I'm just asking, if we give more money we got to make sure we get it back, if it's owed to us.

>> Mayor Reed: The agency just laid off nearly a quarter of its staff. We will squeeze every way we can because the dollars are so tight that we have to look at that. If you can give a specific thing to my satisfy maybe we can figure out what they were. Because if there's a place to look for money we're going to look there. (inaudible) okay and then we got some redevelopment staff, maybe we can answer that question for you afterwards. We will be looking for money, if there's \$28 million laying around anywhere we want to chase it down.

>> First and foremost, thanks for having this. The turnout is great. You showed what the housing program will look like going forward without the \$75 million. I'm wondering as far as the overall community needs, what will the \$75 million have gotten us?

>> Mayor Reed: \$75 million in the program obviously gets you some more projects that can get started and can get built sooner. So whether it's \$75 million in year 2 or \$75 million in year 5, it's still the 75 million. It's about the timing of when you can start the projects and deliver the projects. There's no doubt there's an impact on the ability of the department to do projects if you've got \$75 million less money to work with. But under the proposal if the department borrows money, in the bond market, or otherwise, to cover that \$75 million, then there's debt service so there's a difference. It's not 100%. But it is a way to continue the programs and have the funds available. Or if the money comes in sooner, like in year 2 there would be very little delay in projects. But there's no doubt there is a delay in affordable housing programs.

>> Can you tell us the rationale why it was housing that received the death penalty and therefore, everything else is now, we're looking at trying to find other pots? I mean, why was it particularly -- was there a criteria by which it was particularly targeted, rather than having pots all over the place that you needed to reduce?

>> Mayor Reed: It's not the housing department that gets the death penalty, although it's a secondary casualty. If the agency dies, the housing program is not going to continue to get increases for housing programs. So it last a collateral damage on the housing department. The reason the agency is looking at the housing fund is that's what the state legislation pointed us to. In fact though created specific legislation for agencies to borrow from the housing fund. That's because the governor saw billions of dollars laying around not being spent, and he found and the legislature found that irresistible. Not that our money is laying around, but around the state there are agencies with lot of cash.

>> You have the discretionary power to not necessarily follow that if that's not our situation?

>> Mayor Reed: We do have alternatives, that's really the point of this discussion, is that is the one proposal from the agency in the budget, but we do have alternatives. And as Bob mentioned you can mix and match on the alternatives to try to cover this gap. What we do know is we have to give the state the money or at least we have to set it aside in case we lose.

>> Mayor Reed, over here, Harvey. You have a job -- okay.

>> Mayor Reed: I'm sorry, I need to announce that anyone in the council chambers that wants to submit comments we'll bring them in as well.

>> I don't envy your job as well and I really thank you for the leadership that you're bringing forward. Looking at SNI funds, and the budgets for the individual SNIs, where does that fall in here? Because I'm looking at the particular what's been proposed and I had \$250,000 left over from our first five-year plan. And I'm only going to be allocated \$115,000 to my SNI, the greater Gardner SNI. And I'm assuming that that's happening all over the city. That's assuming that we're taking funds that we were very frugal with that we're contributing to the budget deficit, and moved out to year 6, essentially.

>> Mayor Reed: I'm going to have the redevelopment director answer that question. But the SNI that Harvey refers to, nor those of you who don't live in an SNI area, is our strong neighborhoods initiative. And approximately 30% of the city is in a redevelopment area. And 22 or 23 neighborhoods, there has been funding coming from the redevelopment agency. And I can just say there's some of it in capital expenditures, some of it in encumbered and Harry's probably a much better person to answer your questions.

>> And the issue for us is our number one priority was discreet repair. So we had almost all our money going to street repair to help D.O.T. and now we're going to get almost nothing.

>> Harry Mavrogenes: Sort of the short answer to that is there is money both in the encumbered side this year, there's about \$9 million left I think for SNI in new projects it's severely limit pend we pushed projects out for year 4, 5 and 6, that's slated for this year, because it's severely limited. We spent \$90 million to date not counting the encumbrances. We get no tax increment from the SNIs, the industrial areas and the downtown support that. But it's been a good program. We want to continue it, and we're showing some limited funding to keep it going during that this short period. But we intend to resume the program, assuming our revenues allow us in the future. But it's still in the budget.

>> Mayor Reed: Over there.

>> Are there any I guess indirect ways that just redevelopment budget is going to affect the General Fund budget? And one example I think of is, if I understand sort of the way that we balanced our budget last year, there was some shifting of financial responsibility in terms of how we paid employees that I thought was coming out of the redevelopment agency. Is that the the case? And if I'm correct in that assumption or correct in understanding how it balanced the General Fund budget last year, are there any other ways that this is going to affect the way we spend money in the General Fund?

>> Mayor Reed: There are several potential impacts at the General Fund level. Aside from the housing department because that's an enterprise fund, special fund, not really the General Fund part of it. So for example, the redevelopment agency pays for a percentage of the operation of the building, a percentage of the council and pair's you know budgets and salaries, because we're doing both city and redevelopment agency. So if there is no redevelopment agency, if there's no program, it's hard to justify some of that funding. The budget, as proposed, including, in year 2, 3 and 4, a reduction in the funding going to the General Fund from the redevelopment agency. So that's a direct impact. So there's quite a bit of potential for that, and if we go back to the alternative, the reduced capital and operating expenditures by 60% over two years, operating expenditures includes money that goes to the city to support and reimburse for city services. So that would be a 60% reduction in order to get that share of the \$75 million. So the redevelopment agency and the city are joined at the hip, and if the redevelopment agency dies, could take the death penalty, that would certainly impact the City's ability to deliver services.

>> Mayor, just a couple of principles that I hope you'll consider as you're making these tough decisions. First of all I also think that you can mix and match at least with the first two bullets, as it relates to this chart. I had also don't think to accept the death penalty is acceptable. We also need to remember that because of the redevelopment agency we have the most successful housing program in the state of California, probably in the nation. If the redevelopment agency dies, we don't have that. We don't have the luxury of having the programs, strong neighborhoods initiative, \$90 million-some. If the redevelopment agency dies we don't have that. The one principal that is extremely important is the redevelopment agency is the primary tool that this city has for economic development. We need to stay focused on generating jobs. We need to make sure that we have a healthy redevelopment agency, so when this passes and it will pass that we can continue to have successful affordable housing programs as well as the other programs that the agency sponsors. On the third bullet if you happen to reduce on capital and operating expenditures, operating expenditures I think that has to happen. The agency has just cut a number of blows. Most. On the capital side I would ask that you keep generating jobs in your focus, and also those projects that have already been approved, and private sector and others have invested in some cases hundreds of thousands of dollars with the expectation that they will have projects in the ground, in the near future, that will again generate jobs for this community. We need to keep those on the drawing board. Thank you.

>> Mayor Reed: Okay, it's Ross's term again.

>> Ross Signorino: Thank you, Mr. Mayor. What I was concerned about there are things that the redevelopment agency is doing and I agree with the project itself of building a stadium on the ground that the redevelopment agency is prepared to give, and build the stadium on it. But what would be -- I'll tell you the effect that we would get a baseball team, a stadium and so on, the finance -- what would be the financial benefits to the General Fund? That's what I'm concerned about. And in verse to the amount of money that the redevelopment agency is investing in this project, that is something to look at, what is the return on the money or redevelopment agency money, what is the return dollar-wise? I might say that is a difficult question to answer but nonetheless that is something we should be concerned about and look at very much what the redevelopment agency sometimes we get ourselves into, maybe as a city we talk about golf courses that we built, that we're trying to get rid of and they're a big drain on our General Fund. So that, too, is something that concerns me. Are we going on that path right now? Thank you.

>> Mayor Reed: I don't think that was a question.

>> All right, thank you. The question I had is a little more directed to housing. I can't read the numbers on that, it's too small, I don't have my glasses on.

>> Mayor Reed: Can we get the slide back up?

>> Thank you. A lot of that looked like it was in new building, new construction.

>> Mayor Reed: Let me just read it, I can read it for you, for those of you who have bad eyes like I do. rehabilitate is the second line, the total across year 6 is almost \$31 million. The third line down is first time home

buyers, across the year 6 total is \$47 million. Homeless programs, is down next, and across over six years is \$16 million. Grant programs is the bottom line. That's \$11 million across six years. And then the totals, across the bottom, \$214 million. Bottom right-hand corner.

>> Thank you, mayor. Just looking at that line alone and knowing there's four towers in the downtown that are trying to sell units and a number of other construction around, I think you could get the majority of the money straight from that lined and shift towards rehabilitation of those units, whatever you got, just speaking from a construction background, so we don't lose a lot of jobs, I don't know the nickels and dollars and cents of it but that would be my suggestion. Thank you.

>> Mayor Reed: I'll just comment. A lot of that is already in projects that are moving. A lot of it is pretty far away, in fact we have three projects on tomorrow's agenda that would be drawing on that new construction line up there. So there are some complications with just taking the money with the existing projects and commitments.

>> Understood, thank you.

>> Can you go back to the original slide that you had on there? In dealing with those alternatives, what have you done for mitigation measures? I know for the housing department funds we have looked at a flexible borrowing strategy, preserving commitments and whatnot. Have you done that for other city funds as well, for instance, if you borrowed from the park trust funds, have you looked at some other measures that would make it more palatable? We're looking at other alternatives, they are not as much in the aggregate, but it is possible to mix and match but we try to get the budget message together, to identify if we are looking at those other funds what the mission might be.

>> Yes, mayor, Pat Saucedo, chamber of commerce. Wanted to make a comment. These are extraordinary times. It is very difficult. I know the challenge before yourself and the council is extreme right now. I think one of the concerns I have, while we have this immediate situation, and you're looking to borrowing bonding capacity from the housing department, and I know that that's challenging and difficult, a clear concern would be going into the future, when we do come out of this horrific recession and we look at companies that want to invest and expand, and we want to attract them to fill the many empty space in San Jos $\text{\textcircled{O}}$ today, my concern around the business community is that if the redevelopment agency shuts down we basically are saying, we're out of business in San Jos $\text{\textcircled{O}}$. And I think the long term impact of that would be devastating, and it would take San Jos $\text{\textcircled{O}}$'s recession from a three to five-year recession to a ten to 15 year recession. So while borrowing from the bonding capacity, the housing fund may not be what we want do, I think the other side of that to turn the lemon into lemonade we have an opportunity to keep our agency going forward, to have some investment in projects particularly in our downtown that will help us to spurn or rather to churn economic development such as our convention center and other opportunities that we have committed to in the downtown. And would I just strongly encourage you and councilmembers to keep that in your thoughts as you work through this difficult budgetary process.

>> Mayor Reed: Like to get all the alternatives on the table. If anybody has an alternative we haven't talked about, please give it to us. I've got people taking notes, I'm not trying to remember all of this.

>> If the lawsuit should fail, what is the likelihood that the state could increase, do we have to go through this again with the state having its hand out again?

>> Mayor Reed: Every time the state legislature is in session, we could be having this same conversation next year about a state take away of some kind. Most of you probably know that in addition to the redevelopment take away that we have been talking about, the state is taking 15% of our property taxes but they put up a statewide fund, they are going to pay it back to us in a few years and that's why there's a statewide fund . They also proposed to take some of our gasoline taxes, known as the HUDA tax, highway users tax or something or other, that failed in the assembly but failed in the senate, that will be back on the table if the state is in scam difficulty, you can all guess how soon that is going to be. But it is possible because next year we're at the mercy of what the state legislature does. I do have some questions from the other room so I'll get to those in a minute. Trying to get you a microphone Bob.

>> Bob Brownstein: Are we on questions or alternatives?

>> Mayor Reed: I wanted to get the questions on the existing alternatives. I would like to get new alternatives or suggestions out now.

>> Bob Brownstein: Okay. I've got several thoughts in terms of alternatives. I think it's going to be necessary to do some borrowing to get this budget to move forward. And if we're going to do borrowing then we need to be thinking about collateral and about tithing and that's where I'd like to make my suggestions. First of all we need to know exactly what collateral is available on behalf of the agency, that is what assets it has, real estate and buildings. Secondly, in relationship to using a big set of assets for collateral, we are in the process of putting land together for the ballpark. Now, we're going to have a use for that. But that asset is still available as collateral. If we don't have a ballpark and we don't know whether we're going to be able to do it or not, then we own the land and can dispose of it or borrow against it. If we do have a ballpark, the analysis of the ballpark says, it's going to be worth \$30 million net present value to the redevelopment agency alone, in terms of the money that comes out of - from that ballpark, again, the capacity to pay back debt, if there is funds that can -- we can borrow against, and there is not an immediate need for pay-back. But there is a desire to have the security that pay-back will occur at some point. Another suggestion: In terms of the convention center, where we need to get -- move money forward in order to be able to get that project off the ground, \$14 million from the convention center is in year 4. However, we've got the money for the autumn street project in years 1 and 2. But autumn street is only really necessary if we're going to do a ballpark, and we don't know that and won't know that for a while. So why not move the autumn street allocation out and move the convention center year 4 allocation forward to help reduce the gap in order to make the convention center happen also in terms of the convention center it is linked to an increase in T.O.T. The money that comes from that, we don't know exactly what it is but there is a possibility that it will be higher than the minimum amount in order to pay off the initial debt for the convention center. So that is another form of security, if we borrow from some fund in order to have the convention center go forward and have growth in the T.O.T, beyond what we need for the original debt, pledged to cover some of the additional debt that we would be bringing forward. And then finally, my inclination is that the housing department has to pay its share but not the full \$75 million. But if we don't take the full \$75 million but something like \$30 million out of the housing department, that leaves the housing department in better shape financially and it's possible housing could pick up some of the cost of the SNI either projects or staff that are related to housing. So those are some suggestions.

>> Mayor Reed: Okay. Who's got the other microphone? Down here, Gary.

>> I have a couple of questions. Have the major questions that were put forth by Councilmember Liccardo and I believe Councilmember Pyle in their memos been addressed? Because I think burden-shifting to the General Fund are unacceptable and we have to have first a realistic budget. John that the county was going to go along with what was proposed by the RDA, for instance. As there been a risk assessment for the uncertainty around bond money and tax increment? Could there be other ways to obtain funding for some of the smaller specific projects and can we reduce some of the encumbrances such as miscellaneous public improvements? And then finally, I didn't see in the guiding principles anything that specifically called out housing. And I wasn't sure if the board and the council was viewing item 3, investing in projects and programs that will leverage private investment, stimulate the economy and generate jobs and General Fund revenues, if they were looking at housing as a part of that? Because there's nothing that specifically talks about housing in the guiding principles that were approved. Thank you.

>> Mayor Reed: Who's got the microphone? I've got some questions from the other room. Why don't I just take some those now. Hopefully, I can understand the handwriting. The question about, explaining what is CMO-SNI city services and justify why they are getting \$1,775,662, and why SNI attractive neighborhoods gets a million and change? I'm going to let Harry Mavrogenes answer the questions.

>> Harry Mavrogenes: That is city staff, that works with the SNI program and that pays their salary. In addition, the attractive neighborhoods program is the code enforcement staff, we support several members of the City's code enforcement staff that goes out into these neighborhoods and tries to take care of blight issues.

>> Mayor Reed: Okay, other questions in here? I think the microphone was going over here to Eric. Microphone, please. Eric.

>> I had a question about the county money.

>> Mayor Reed: That's one of the uncertainties, we're going to come back to that in a minute, but go ahead and ask the question.

>> The \$60 million that we're going to possibly delay paying the county, what's the county's reaction going to be to that?

>> Mayor Reed: They want the money.

>> And, you know, I mean one of the things that we, you know, lawsuits, kind of things dragging on through the courts, I mean are we going to be, you know, what -- what is the county said about us not paying them?

>> Mayor Reed: They want the money. That's the short answer. We're going to talk about that when we talk about the uncertainties, that is one of the uncertainties, whether or not we can renegotiate something with the county. We're in the process of trying to do that. That is certainly unknown at this point but it is certainly \$60 million over the next couple of years that is in question.

>> Mayor Reed, thank you for your courage, especially at this time with the city council as well. I'd like to offer a suggestion an encouragement for a bit more courage here. Which is I look at private foundations, family that have a mantra of narrow and deep focus. I like the idea of narrow and deep focus and I think at the time when budgets are slim, and things need to get cut, with the primary focus of redevelopment being economic development, I'm a bit concerned that priorities for housing and strong neighborhoods and I've come from being a neighborhood leader in Downtown San Jose just north of St. James park so I know that. At this point is there any consideration to trying to hand, I should say neighborhood care responsibility over to those interested and affected individuals to take care of their neighborhoods as we do now, because we're no longer an SNI, maybe suggesting a bit more onus, fall infrastructure improvements et cetera ?

>> Mayor Reed: Well, there is money in the proposed budget for SNI areas, some of it is encumbered and some of it is proposed new as Harry mentioned. That is one area that we could move money as one of the alternative ways to get money. But again there is not a lot of money in that whole policeman, certainly not \$75 million. I want to get everybody focused on the alternatives, I have a lot of questions that I want to put in the other category that have come in. But right now, focus on alternatives, that things that should be on the table that nobody's brought up.

>> I just want to raise the issue, it was brought up before of having a real balanced approach to this thing rather than putting all the onus on the housing department or the neighborhoods. Some of the comments we're talking about earlier were talking about economic development. But it was made clear I think during the hearing if other night that housing properly done affordable done is economic development. It attracts businesses. We don't want to get into a false dichotomy SNI neighborhoods quality of life, those are all things that contribute to our economic development.

>> Mayor Reed: Anybody else that's got alternatives? I want to move into another area. Try to get alternatives on the table. Ed.

>> Ed Rast: If the redevelopment agency didn't requisite, how would the city go ahead and finance the ballpark? What do cities without redevelopment do, take a look at where you get revenue, the second thing to look at I think is and I agree with earlier comments we ought to spread the pain, so to speak is take a look at when you're looking at all these projects you ought to rank them on the base of do they retain or increase jobs? An example of that is construction of long term jobs or an example of the SNI, the code enforcement people in the SNI. Because right now with all the abandoned homes if you don't have the code enforcement in the SNI you're going to have a real big future problem. Along with that is what do they -- do these projects increase city revenues over the long term and also, one of the things that I think you needed to also look at is your criteria, is how much private investment matching goes into the projects for instance on the convention center and the baseball stadium that goes in so that has to be taken into consideration. But in both cases the convention center

and the baseball stadium they should be generating money so therefore there should be a bonding ability with those.

>> Mayor Reed: Anybody else with alternatives to consider? We still have a couple before we move to the next topic. We'll come back for other questions.

>> Unless I understand correctly I think open space district just sold some property back to the county for over \$20 million. For what it paid for property some years ago. But raises the question are there other agencies that are sitting on pots or pools that might be available for lending?

>> Mayor Reed: Well, there probably are other agencies. Whether or not they'll loan us any money is a good question. Part of the miscellaneous revenue category, that is something that the agency is looking at but I don't know that we've identified any other agencies that might have money that they would want to loan to us. At least not yet.

>> Mr. Mayor, I don't know specifically what facilities there might be but does the redevelopment agency own anything like perhaps the convention center or other facilities that could be privatized? Or some sort of stream of income that could be securitized and sold?

>> Mayor Reed: There are some things that the agency has title to. California theater. And -- but that has to be -- will eventually be turned over to the city. But we are looking at assets and asset sales and that's part of what goes into the miscellaneous income line on the budget. I think we've averaged about \$20 million a year in miscellaneous income for quite a few years through property sales among other things where the money comes in.

>> Just wanted to clarify. I thought you had encumbrances as a later agenda item. But it's not shown as an alternative. Are we going to be discussing that as an alternative to housing borrowing to see what funding can come from those?

>> Mayor Reed: Certainly, squeezing money out of the encumbrances is one of the options. We'll talk about those later and the reason they're called encumbrances, it's very hard to squeeze money out of them because they're already encumbered contracts and things like that. But there's not a lot of money there so that's why I'm not considering -- I don't have it on my list, it's a place where you can get some of the money. But these are the ones where you might get 75 million. Okay, I'm going to move to the next topic, one more on alternatives.

>> Hi mayor, my name is Paul mayor, I'm from supervisor Liz Kniss's office from the supervisor's office. Something you reiterated, yes, the county wants the money, not only that we need the money because it's already been programmed into our budget. Thanks.

>> Mayor Reed: I'm sure that surprises everybody here. All right, I want to move this, we're going to come back to some other questions later. But I want to move into the uncertainties. We start talking about some of the uncertainties, we'll talk a bit about those and then we'll ask people to identify your top five priorities off that proposed capital expenditures. But first to talk when the uncertainties. We had a lot of testimony, a lot of discussion, some of you sat through that, along with the entire council. So you've heard some of that but I want to go over it because a lot of people haven't. First is the debate about what's going to happen in the future. The trouble predicting the future is it keeps changing. So trying to predict how much money we're going to have next year, is just a projection. You can do it on a scientific basis and there are people that do this, they're very good at it, they're very accurate but nonetheless it's a guess about what's going to happen next year. Right now the projection is next year will be flat. Those of you that watch government know that flat is up. Because lots and lots of things go down. The question is will it be flat next year or will it go down? What will we do? If we go down 3 to 5%, let's say 5% decrease in tax increment revenues, that's \$10 million. So that's one of the uncertainties. And we have to be prepared to deal with it in some case. We're making a budget based on a projection but we have to spend real money. That's \$10 million. The bond market. You've heard about borrowing from the housing fund and housing fund going to the bond market and getting money. The proposed budget has \$30 million of bond market financing directly by the redevelopment agency. In addition to that is the \$75 million if the Housing department borrowed from the agency to pay the state so that's \$105 million that we're projecting to be available for the

budget. What happens if the bond market crashes as it did a little over a year ago? What happens if we can't borrow the money? What happens, you know, it's one of those uncertainties but it's \$105 million. Further state takes. That's just a big question mark. We don't know what the state will do and there's no way to put a dollar amount on it but they're already trying to take \$75 million. County of Santa Clara, roughly \$65 million over this year and next year. We have an agreement with the county that sets out the payment schedule. It provides for renegotiation in certain circumstances, we believe those circumstances have arrived so we're in the process of trying to renegotiate something with the county but we don't know how that -- how that will come out. So that is a \$60 million uncertainty. The J.P. Morgan obligation, we borrowed money maybe ten years ago, long term financing. And in order to get a really low rate, we have a letter of credit with J.P. Morgan that has been extended several times over the years this most recent extension was for one year only. We have about \$100 million on this letter of credit, that expires about a year from now. We think that we can extend it again, as they have done quite a few years in the past. But again that's the bond market, that's an uncertainty. That's \$100 million. If you've been adding that up, that's about \$250 million. That's a lot of uncertainty. With all those uncertainties, we have to take sort of a phased approach of how we spend the money and that comes back to the priorities. And you all have a sheet in the packet which was handed out I think it's numbered page 1 and 2 and those are the proposed capital expenditures. And before you leave tonight, I'd like for each of you to turn in that sheet, with five items identified. Your top five priorities. There's a page, place at the bottom for additional ones, if there's something on that list, or that's not on that list that you think should be there. But those are the items in the proposed budget, in that list, and we need some help asking for help on -- in the prioritization of those. Not going to ask you to do that now but before you leave, please circle five, or circle 2 and give us 3. Only five. If we're tallying the sheets we'll stop at five. If you do ten we won't be looking at the bottom five. (inaudible).

>> Mayor Reed: No. Makes sure everybody -- there's two el pieces in the handout, there's one that's basically the Slade show for notes. And then there's another one that says prioritization, FY 2009-10. If you flip that first sheet up you get to the first numbered sheet. Pages 1 and 2, that two pages on one sheet of paper are the proposed capital expenditure line items. So that's for everybody, including the folks in the chambers. Priorities. Now, I'd like to give you a chance to ask questions about what's on that priority list. Although I'm guessing everybody can guess at what their top five priorities are without looking at that list. Most people have a good idea what the five priorities are. But if anybody has a question on that list, now's the time to ask. The folks in the chamber can't hear you unless you use a microphone.

>> Thank you. It looks like Blackford no longer exists as an SNI area from this list.

>> Mayor Reed: Harry, Blackford? This is a list in year 1 in the proposed budget.

>> Harry Mavrogenes: It's probably because there is no funding recommended in that year for Blackford. But we still have money in the outyears if you look at the five-year plan.

>> Okay, thank you. The real question is do we have a staff, a support staff?

>> Harry Mavrogenes: We're showing support staff in the SNI currently. It will be cut back.

>> No, I understand.

>> Harry Mavrogenes: Will be cut back.

>> If we have a support staff we can meander our way through, that's my question, thank you.

>> Mayor Reed: The support staff does a lot of things and that's a separate thing. Down there and Ed Rast first.

>> Ed Rast: When you talk about top five priorities, are you talking about what we should keep or what we should cut?

>> Mayor Reed: Your top, highest priorities, the ones that are most important to you.

>> Ed Rast: That we want to keep?

>> Mayor Reed: Yes.

>> Mayor Reed: Back over here.

>> I just wanted to add to the Blackford situation, the K.O.N.A, this is more probably directed to Harry Mavrogenes. We were deleted as if we never existed. It was up until August that we were there, we had funds available and then all of a sudden move, we got zeros tall way across. You're talking about a neighborhood that I grew up in, I went to the schools that one of the top tens, the money has been eliminated. I was ten years old when I left that school in the fifth grade and since, to now, I'm a little bit more than ten years old now, 45 years later, we're just seeing money come in, thanks to the RDA and all of a sudden the plug has been pulled. Our money's been pushed out and hopefully you know we have no way of knowing whether that money as you have been talking about here tonight will be there in four or five years, we don't know. So we're as, you know, speaking as a member of the K.O.N.A. SNI area, we're deeply distressed about this decision to specifically pull our name, you know, our association out. The specific line item was an item that was supposed to be school, neighborhood partnerships which directly affect our school, our children The three years, four years stretching out is not going to help our kids, they're going to have to suffer through another several years that has been a custom for last you know what I've seen 45 years. So you know you already know what's going to be my number one priority on this sheet, anyways.

>> Harry Mavrogenes: Thank you. If I can just answer that briefly, the K.O.N.A. project of the SNI is still in the budget. There is a sheet for K.O.N.A. It shows -- this is in our adopted budget, five year plan, we have spent almost \$1.2 million in the neighborhood prior to this year. And we are showing the projects out in the fourth year and beyond. But that's -- I understand the concern.

>> Mayor Reed: Other questions about this list? Harvey and then we'll get to Pat. (inaudible).

>> Mayor Reed: You've got to get the microphone I'm sorry.

>> If we're choosing five are we talking about five individual items or strong neighborhoods initiative as one item?

>> Mayor Reed: Five individual line items. Can you put all five them in strong neighborhoods area.

>> Had I known we were going to do that I'd have packed the people with greater Gardner people. It doesn't seem I want to vote for my SNI versus any other.

>> Mayor Reed: Vote for what you feel necessary. This is not the only priority setting sessions. These are not the only communities engaged. There are several other meetings tonight, they are talking about, this is an important set of your opinions open these topics and this is a way to try to do that. Pat.

>> Mayor, could I -- would it be appropriate to ask the professional staff perhaps Mr. Mavrogenes to talk about the two or three items that he would see that would be most valuable to generate economic development and which would be the projects that would leverage the most public-private.

>> Mayor Reed: Let me give Harry a minute. I'll make the list here. .

>> So to clarify, do you want us to pick five things, including the proposed new funding and the encumbered committed or just the new?

>> Mayor Reed: We're just going to look at the proposed new funding in terms of picking new priorities. The reason I'm not asking people to pick priorities on the encumbered is when we get to the encumbered, you're going to hear about the encumbrances and why that's really not a choice in most cases so I don't think it's very useful to spend time prioritizing things that we can't reach. So that's five items, each of them's got a dollar amount to it. But the top five. But we're going to do that before you leave. You've got plenty of time to think about it. Questions about that sheet because we're going to move to the encumbrances list and we'll cover questions on that item.

>> Thank you mayor Dennis Martin, chair of the arts commission. Just wanted to let you know that the last Thursday arts commission voted unanimously to ask you to place as the highest priority the convention center and expansion projects we feel it is an important aspect of T.O.T. generation which is you know necessary to fund arts and culture in the city. And we urge you to keep that as a top priority of the agency budget.

>> Mayor Reed: I'm guessing you're going to circle that one? Okay, that's what you do. High priorities, make sure you circle them.

>> Thank you. I think if I could speak just to the audience just as a quick point, as you make your priorities, you think of a time for --

>> Mayor Reed: This is a time for you to establish your priorities. I don't want to get the debate whose priorities gets the most air time.

>> We have to remember as a group as a city while we have a tough time now, if we do not grow, the tax increment in the merged redevelopment project area, you won't have moan for historic preferential and arts and so forth. We must grow the merged area, the priorities might be difficult in the short run in the long run that's what has to be done.

>> Mayor Reed: I want to turn to the encumbrances and allow people to ask questions about the encumbrances list. You can see that's the next page, pages are the encumbrances. And there's a lot of them. And I know that people have questions about the encumbrances. I've got a slide here with the big ones on it. If you go through that list you're going to see there's lots of small encumbrances and a few large ones. These are the questions about the big ones. If you are cures why it's encumbered, how it's encumbered we've got the staff here that can answer those questions.

>> Mayor Reed, a question about Edenvale. It's almost \$10 million, I'm just curious. I know it's in Councilmember Kalra's district so you want to speak to it. We were curious about the economic benefit of prioritizing that and does it compete at all with north San Jose plans?

>> Mayor Reed: Well, the Edenvale community center is under construction. That's kind of an encumbrance. The money's budgeted committed contracted and it's under construction. So that's a fairly serious encumbrance. It's pretty hard to stop it in the middle because even if you stop it in the middle you have potentially contract damages and other -- Ash says it's only four months from completion. So it's pretty well on the way even though it's a big number.

>> Mayor Reed, thank you for having this forum, by the way. In the spirit of spreading the pain, is there a possibility that we might be able to talk to the contractors, or the developers, or whoever the people that we owe the money, or RDA owes the money, to talk to us kind of like remodification of loans, so to speak? Is that a possibility?

>> Mayor Reed: Well, modifying our loans is probably not a realistic possibility because we have bonds that get issued. The debt service that the agency covers are basically long-term bonds. Sometimes you can refinance them. Sometimes there's penalties for early payment. So the prospects for doing that aren't very good. We have refinanced a lot of our debt over years from time to time, so that's a possibility but it doesn't necessarily generate a lot of money. But each of these encumbrances is a candidate for us going and asking for some sort of renegotiated contract or deal or something. It's just that you can't be overly optimistic about people's willingness to give up something. But it's good to ask because sometimes you get, but if you can -- if you could get an average of 5% out of these encumbrances, it's about \$2.5 million. So maybe we can squeeze some money out. I know the staff's been looking at that and liquidated some contracts and worked on some of these things, worked on the encumbrances to get the number down. But it's not an easy thing to do as you'll see from looking at the specific encumbrances.

>> In terms of the encumbrances, it doesn't show the phasing, I know Ash just said his community center is close to completion. Which are the five encumbrances that are closest to completion?

>> Mayor Reed: Those are just if five.

>> Which are the five that are closest to completion within the next six months or so ?

>> Mayor Reed: I don't know. There's 100 on that list. I don't know that anybody knows which are the closest to completion. But they are impend when you sign the contracts in most of these cases .

>> Two questions. One, this is kind of feedback on Bonnie's comment. I don't know what all that entails. Maybe you can tell us what does San Pedro urban market, what does \$6 million give us, what does that mean. My second question is, I should have asked that in the last section, what does the bonds for covering obligation, when the rubber meets the road?

>> Mayor Reed: To answer that question, when we go ask them for money, that will be the test. We have been talking to Bank of America, Wells Fargo. We don't know until we ask for the money if we'll actually get them. I'm going to ask Harry to talk about these projects their encumbrances and what they are.

>> Harry Mavrogenes: Yes, on the list, Edenvale community center has already been explained as a partial and that project is on its way to completion. Convention center expansion phase 1 includes the roof repair and to replace the buckets that have been in the middle of the convention center all these last few years because the roof has not been maintained. Those are well underway. San Pedro Square urban market square is under construction now. Tomorrow you'll see a fence up around the site, if it isn't up already. They are working on the private development of the buildings. These are for public improvements, as specified in a development agreement. That agreement as long as they perform is required contribution. The brocade communications was an agreement to help locate that company in North San JosØ. It's equipment buys that are underway. That project is under construction and almost completed. Civic auditorium, this is a phase 1, there's also money in the other list for another, I think it's 5.9 million to complete the civic auditorium. Most of that 3.1 million that is been expended to date. And if you'll go by and you'll see that's been a dramatic transformation and brings a lot of people downtown. The RDA contribution the bulk of that money is pretty much out the door already with improvements we made to the garage and the elevator system for the new Safeway. And facade improvement money, this is one of the really far-reaching programs we have with small businesses. There's about virtually all of that money is contractually obligated now, people have spent money. They have to provide their own share of money as well as part of the improvement. There's another \$500,000 for the budget in the downtown and another \$500,000 for the neighborhoods but these are are projects that are probably well underway, most of them. (inaudible).

>> Harry Mavrogenes: You didn't forget, did you?

>> Didn't forget, where's the economic development?

>> Harry Mavrogenes: Convention center is probably very high on our list in terms of projects. There's money listed for the clean tech job investment fund of \$1 million along with the Edenvale emerging technologies fund. These are funds to induce new businesses to come into San JosØ. These are high priorities and opportunities lost if we didn't invest in those. Civic auditorium completion is going to be very important and also, I think in the SNIs we've been trying to keep some money so that we keep the program going, so we don't lose momentum and back-slide. That's very important. That's in our budget to keep programs going, to keep staffing going on those.

>> Mayor Reed: All right, other questions on encumbrances?

>> Bob Brownstein: Sometimes, in order to get someone to revisit an existing contractual obligation, you have to try a creative approach. So for example, the San Pedro square urban market, that's \$6 million 2.5 million of that is a loan, not a grant. Now it's possible that the developers there might be interested in trying to find some other source of the loan in the short run. If the agency was to say at some point, when they have more money, they would kick in \$2.5 million as a grant into the project. Because in our current situation right now, \$2.5 million today is more important to us than \$2.5 million in year seven when we're going to have much more resources available. Now I'm not saying that's the perfect renegotiation strategy but I think that's the kind of not standard

approach that we should be looking at, as we see there's ways to look at these encumbered projects and find ways to meet our severe cash flow needs now as we try and balance this budget. Also, I mean I don't know if this is the best arena to talk about them but there's a lot of small encumbered projects here that are worth looking at, not that you save that much from each one, but we could be within four or \$5 million of having that convention center be a go, in year one or two. And it would be a shame not to see it happen because we should to spend more money on project support studies or public generation or a lot of these other encumbered proposals that are only \$600,000, \$300,000 but you add them all up together and you start to get enough money to put a major project over the line.

>> I do agree, this is a difficult job for everyone. We have to be creative and use innovation that the city is very well-known for. I heard things such as volunteer, each of us stepping out of the box and looking at something different. I like talking about making money better than cutting money like I think all of us like to. But the one thing I wanted to add, you mentioned the crystal ball. I want to say one thing about the convention center and travel. I belong to SVBTA, which is a nonprofit for travel. If you visit their main page, corporate getting the government made such a big deal about not spending and not traveling .think that's a big we should consider this high high importance of the convention center. It brings jobs, keeps every venue of our businesses moving and going forward. It's an opportunity for nonprofits to get out here.

>> Mayor Reed: I have to ask you if you have a question about these encumbrances. I know you have things to say. We're going to come back to that. I want to get these questions about encumbrances answered, if anybody has a question let me get you a microphone.

>> Just one question. Kind of a follow-on to the question that was asked of Harry earlier, and that is, we all know that there was a lot more in the budget. If you look over these are five year budgets we roll forward, there is a lot of things that didn't make the cut and I'd be very interested in what would be sort of the number one item that didn't make the cut into this presentation. What are the things that aren't part of this conversation today?

>> Mayor Reed: I don't know. There's a list of a thousand things that didn't make the -- didn't make the cut. And I don't know if Harry's got any answer for that. Clearly if you just look at the project list, that's pretty short. There's a lot of thing.

>> Harry Mavrogenes: We've significantly reduced things like the clean tech fund, infrastructure in North San Jose. Entertaining improvements, there are a lot of road projects we could have done, autumn street could have been done earlier, obviously more money for the convention center, we had a lot of money in before. There are a lot of things that could be cut. We've taken a significant cut on this budget in the reality check that we have.

>> Mayor Reed: I think the most obvious one probably is the convention center. Where we started with the convention center and the private sector funds that we were going to raise, we're nowhere near that match. It's not in the budget in the size it was planned phenomenon.

>> Mayor, I had a real quick question. I live in the Edenvale area. Where did the state come up with this figure of \$75 million?

>> Mayor Reed: 75 million is everybody's share of the \$2 billion. They needed \$2 billion to plug the gap in the state budget. They had a lot of ways to do it. \$2 billion, you all take a piece. There is a formula through. It's a lot of details, it's \$2 billion, they don't really care, as long as they get the \$2 billion.

>> So I have a question that actually relates to Shiloh's earlier question. Is 32 sense of how costly that would be for the agency and the city in the long run?

>> Mayor Reed: There's a combination of ideas there's the bond market with taxable bonds are more expensive than others, that are short-term, there's variable, there's a lot of different ways it could be structured and I don't think we have the answer for that but there is -- no matter how you borrow it there's debt service, you have to pay the money back and it's a question of how much each year and until we get down to a refined proposal in real concrete terms with the lender we won't really know what that is. Okay, encumbrances, any more -- so we've got questions on encumbrances. We go to councilmember Williams. Now retired. I forget what you're on.

>> The committee on the status of women. We're going to have to do an analysis to make sure we get the return because some of these produce jobs, some of them provide economic opportunity for us. And if we make a decision about moving those dollars, taking those dollars to help pay for the \$75 million then you've got to evaluate the tradeoffs that you make. The question I have is really do we have to pay the state, do we have to pay them now, can we move it out, can we phase it out over time such that we can continue, we set a level for housing that we will provide then tell the state, this is how we'll pay you back. They're doing it to us, they're asking us, to give it up. My view is we should tell them, negotiate with them how we want to pay them back.

>> Mayor Reed: We have and did negotiate with the state during the budget process trying to keep them from taking the money. Of course the State's going to be back in the budget process come January, they'll start all over again so we will be back negotiating with the state trying to get them from taking more money. There's always the opportunity to make changes to the legislation. I just think it's not a high probability that they're going to want to cut us a break on the money that they've already decided to take. It doesn't mean we won't ask in the legislative process. But they still need the money. And I think they're still going to want to take the money and the fight will be over keeping them from taking more money.

>> Mayor, I am not sure I'm hearing you say on the committed and encumbered projects is basically those are gone. The horse has kind of left the barn on those. Many of them are under construction or almost completed with construction. So it seems like maybe it's time to let go of these, and be spend more time looking on the proposed funding projects for 9 and 10. Is that what you're saying?

>> Mayor Reed: Well, I just want to make sure everybody has a chance to understand why a particular item on this list is encumbered and it's really not a candidate for money. We will squeeze some of the money out of the encumbered. Harry's already done that, we'll continue to work on that. But I don't think it's the answer to our prayers in any way because of the nature of it. So we are going to come back and I'm asking you for your top five priorities in the proposed spending items because there we have, you know, a different set of choices to make.

>> In response to Pat Dando's questions or comments, if we consider Bob's suggestion of getting money from a variety of sources rather than a single one, it seems to me that there's a continuum of degrees of encumbrance. And on the one hand if you have Edenvale that is four months from completion and then you have the convention center which you know is clearly central to the economic well-being of San Jose, I was struck by Harry's comment that --

>> Mayor Reed: Could you hold that a little bit closer?

>> Yes, the San Pedro urban market, construction has already started and the evidence of that is that a fence went up yesterday or today. And it just grieves me that crying them as they're all at the same stage of degree of encumbrance.

>> Mayor Reed: Most of these encumbrances relate to contracts and obligations in one fashion or another. Edenvale, community center, obviously there's a contract on it. You can see the construction well under way. Some of these have contracts. You're right, there are degrees of contracts. There is opportunity to get some money out of some of these encumbrances and shift it to other things. I'm not holding out a lot of hope that you can get \$49 million out of it, which I think is the total encumbrance in spending in year 1 is 49 million. We're not going to see 49 million no matter how hard we squeeze that list.

>> Mayor, I'm Kathy Espinoza, has the projects been gleaned where the city budget will not be able to staff some of the new projects because of the shortfall that the city is already experiencing, have some of the projects been taken off the list already?

>> Mayor Reed: We did delay some projects in this fiscal year to delay the impact of staffing on the City's General Fund. So the Edenvale community center is under construction. We could on the city side decide not to staff it and save \$1 million a year but the projects that are on the encumbered list have already been improved in one fashion or another and moving ahead in one fashion or another with capital dollars. The impact on the General Fund for the operations is really a separate kind of decision. We could have not started some of

these. And there are other projects that have been delayed that we haven't started for that reason. But that doesn't affect so much the redevelopment budget as it does the General Fund. We're just interrelated but we're talking about capital expenditures here. We have the other headache yet to take up in January again with the General Fund budget.

>> Well in the spirit of shared sacrifice is there a way to do both sort of public-private sacrifice so that there's a greater push in terms of renegotiating some of these contracts, in a way that's going to be helpful to us in our time of need?

>> Mayor Reed: Well, I think there should be a way to do that. I'm not sure what the correct negotiating strategy might be in order to accomplish it. But I think we can negotiate some savings out of the encumbered contracts. And that's one of the ways that we can generate some more funding. But when you go to ask somebody to open up their contract and renegotiate it, sometimes they say yes and sometimes they say no for whatever reason. I'm sorry, I heard a voice, didn't know which way it came from. Over here.

>> There was talk about street realignment as part of San Pedro, is that part of the \$6 million or is that a separate project?

>> Harry Mavrogenes: That is a separate project. That is a residential project that has nothing to do with this market. We have received state grant funds or approval of state grant funds. We will obviously not start those improvements until we know the grant funds are in our hands. But the North San Pedro residential project is totally a separate funding line that is grants.

>> Mayor Reed: Other questions on the encumbrance list or if you've thought of a question on the capital expenditures list we'll take those now too. We'll get a microphone over to Ed, coming from behind, Ed.

>> Ed Rast: I guess my question on the encumbered committed projects if we ask them to open up their contract and try to give back some of it, ask that public information from the point of view of if they do or do not give it back that we should be able to, as the public, know that?

>> Mayor Reed: I don't know what the best negotiating strategy is, Ed. I think that would play into it. Maybe I'll ask the City Attorney to talk a little bit about what it takes to reopen a contract and whether or not we can gain anything at somebody else's -- without their permission, I guess.

>> City Attorney Doyle: Yeah, well the unilateral walk away from the contract is not something I would recommend. Obviously you run into problems of potential breach of contract. Nothing prevents you from saying, we need to hope, we need to renegotiate, let's talk it out. Is it a public issue, that something we need to talk about? Yes, I wouldn't recommend the negotiation be public but we can certainly report back and anything we report back is could be part of the public record so I mean you know I think if it's something that is put on the table and we're asked to renegotiate, that is something we can do.

>> Ed Rast: Partly of that --

>> Mayor Reed: Let me get you a microphone, Ed, sorry.

>> Ed Rast: Part of the incentive for them to occupy the contract and give back is they would get recognition for it or the opposite side, they would not, basically said they would tell us no. And I would think that the listing out of who opened up and gave back would be very beneficial for the community for the public relations point of view, to give them the incentive of doing it who is community oriented and who's not.

>> City Attorney Doyle: These are the major contracts, \$49 million total. A lot of them will depend how far along these are and that is going to require resources and staffing and talking to people but just like the county where we're going to need to try to resolve and renegotiate if possible, you know it's something we can do.

>> Just a clarification if I could please. The civic auditorium appears as new projects and also it appears here in the civic auditorium -- I'm sorry the encumbered projects.

>> Harry Mavrogenes: As does the convention center. There are different phases. The 3.1 is money we've already spent. The balance is the proposal we have this year to go out and finish the project. And likewise the convention center has some money in both projects.

>> Can you give us some details about investment opportunities, 4.1-plus million on Rincon?

>> Mayor Reed: Is that often the expenditure list or the encumbered list? The encumbered list? This one here, brocade communications system, 4.0, is that it Harry?

>> Harry Mavrogenes: The Rincon money is brocade, \$4 million and the balance is money to do some improvements in the area. And a solar company equipment purchase as well. So there's three items in that.

>> A bit of an observation, the question that follows it, it's starting to feel a little like a zero sum game which I think it's not news to anybody here. I think that if you cut an encumbered project you're probably cutting jobs in the community to build that. If you put it into another one you're putting it into another opportunity to build jobs. I guess the question that I have out there is, do we have a sense of which of these projects, if some sum of money less the 75 on hold is going to be spent out in the community, is there some way to evaluate which of those will return the most economic activity in the current phase, and then, generate a tax increment off the back end? I mean that's kind of the decision tree around a short term crisis is what will actually step us forward. And I think that's part of the message that's hard for us to, on an individual project by project, evaluate with you. But ultimately we want to create jobs and create economic opportunity for the future. And that's sort of where I'm sort of seeing the chipping a nickel out of an Edenvale project that's already half built, you know, you not going to hire one guy? I don't think it's going to change anything.

>> Mayor Reed: We do economic impact analysis on our major projects. So for the convention center, we have done a long analysis, jobs to be created, revenues to be generated. We did one on the San Pedro square urban market, we did one on brocade. That has to be done at the time the council makes the decision. Yes you could take all of those and compare them across the analysis. That's helpful. But on a lot of the smaller projects we don't go to that level of detail. So there would not be one that you could say, compare the entire list, you'll have a few that we have that kind of analysis and then most of them are too small to spend that kind of money to do the analysis. But we do have documents, those are all public documents.

>> Mayor Reed, I hope this is a rhetorical question but I'll ask you anyway, ask you to what degree the activity has taken place and that is, has there been staff designated to take a look at the TARP funds from the federal government, to see that being an alternative source of funding for the city and its projects on the various components of the projects and to what degree has that been examined?

>> Mayor Reed: We have looked pretty hard at the TARP funding. It's really not TARP funding, cities did not get money out of the TARP program. Other moneys out of the stimulus, we have spent a lot of time. We expect to get \$76 million, roughly based on what we've seen so far. We have probable the ability to spend a billion dollars with the things that we have asked for. We're not going to get a lot of that money. Typically it doesn't help us all on the General Fund because we're not getting operating dollars. So there was a category for police officers. We made an application to get some money to hire some police officers. We got turned down because we don't have a high crime rate. And we didn't have a bad economy. Well, that was -- they're using 2008 data. The bad news. The good news is we didn't rank high enough on the list to get funding. There were categories in which the General Fund would be helped. In the capital projects, they were shovel ready and met all the criteria. But in terms of the things that we have received money for, so far, you know they're not going to help us with any of these kinds of issues. We'll continue to look for that money. We do have staff that's working on it. We've got overhead staff, there is a provision to ensure that we spend the money correctly, we have a lot of people looking at it. Both thity staff an redevelopment staff have tried to identify where we could get money. Unfortunately, the stimulus dollars are going to other places in different dollar amounts than what we're seeing. We are a state with 38 million, with two senators. Other states with smaller population, get more per capita than we do. It is a possibility some of these projects we might get lucky and get some stimulus money for it and there is federal money that's actually gone into these projects along the way but not to solve things in the time frame we're looking at it.

>> Where do we turn these sheets into?

>> Mayor Reed: When you leave. You're welcome to leave any time. Staff, you can pass this off whenever you decide you've had enough. I'm going to stay for a while because we have more things to cover. But just hand it to my staff when you leave. Okay, continue questions. I'm going to make sure that you got whatever you need on these projects that are on the list so that you understand it. And then we're going to go into a couple other topics.

>> I just wanted to mention one other things that I don't think I've heard mentioned yet and that's as a downtown resident all of the little things that are the smaller line items on these lists, that people may think can come off and I think it's going to boil down to picking line item by line item to get to that \$75 million to make it a fair process. But I ask that in that process, that you don't overlook some of the things that would be a detriment to our lifestyle here in San JosΘ. Because without the lifestyle that we started to build here such as the theater group such as the downtown association such as the other projects that are creating an environment that people are going to want to choose to live in, we won't need the housing because there won't be anything to come here for. And so I just wanted to kind of put that in the back of your minds when you do go to crossing things off your list that might seem significant now, I think in the longer term when we look at the bigger picture, why we need the RDA, for the same reason we need the areas that develop into form lifestyle.

>> Mayor Reed: If you still have a question about the encumbered or the proposed spending you know feel free to ask it but I know there are other things you want to talk about and so we're going to move into that now. With that I do have some questions that came from the other -- from the chambers that I want to ask. Well, I'm going to ask them and answer them, I guess. Was the five year prognosis for job creation for San JosΘ? I don't know who can answer that. I just think it's -- let me just talk a little bit about that, it goes back to the federal stimulus money question. Right now the best prospect we have for job stimulus is clean technology. The federal government is spending, and a lot of that money should come through the valley creating jobs here locally unfortunately our Silicon Valley companies are going to be creating jobs but they may not stay here. So my number one priority right now with the federal government is trying to get the Department of Energy loan guarantees out the door to our Silicon Valley companies who are waiting. We have nine companies waiting for D.O.E. loan guarantees. Each of those companies will make a 100 to 200 to 300 million investment in the community. I'm going to go to Washington, D.C. to talk about loan guarantees. There's going to be a lot of money spent in the country on clean technology. So the \$76 million that we hope to get out of the stimulus package pales in comparison. We have an economic development strategy that our staff has worked on almost completed, we have one now revising it, that will be brought back to the council season to talk about how we generate jobs and revenues to pay for the services but over the next five years, clean technology is where it's at and as Harry mentioned there is some money to be able to support some of those clean technicals, they are read to go. My favorite example is nanosolar first, who wouldn't be in San JosΘ without our finance and redevelopment agency. Working at the speed of business so they could get here when they needed to be here. Nanosolar produces the world's most cost-effective solar cell, so far. They have sold their production capacity out for the next three years. They would like to build another factory. The capital market's crash last year put lots and lots of plans on hold. If they get that D.O.E. guarantee, they are in the process, the planning process for a \$200 million investment. So we have opportunities and we're focused on trying to make that happen. Before I take another question, I know there are a couple of more councilmembers that have joined us. I know Councilmember Pyle is here. Councilmember Oliverio is here. And Councilmember Kalra is still here. He's tough. Other questions?

>> Mr. Mayor, question on the --

>> Mayor Reed: Or other comments, other idea.

>> On the idea of autumn street I'd like to bring up. I've had a chance to get some presentations on this on the arena authority, they came to us. It shows 5 to 6 million, it's a \$50 million project which doesn't include some ads that would be required over by the ballpark area. we understand it's in three phases. I would suggest, in this tough priorities, especially finding big money for the convention center that that road diverting traffic through the Guadalupe river park where the merry go round is and the arena could very well be looked at at least pushing that out and there could be a few million out there pushing that out could go a long way to nanotechnology help or the convention center.

>> I have a question.

>> Mayor Reed: Yes.

>> I was looking at the encumbered committed projects and I counted 32.5 million, somebody else said 49 million. I was just curious, what was the interest that we're making off of that and is that also worked into the projected money? -- all I see is the hard numbers but I'm not seeing the money that's growing and what we can use that to contribute to the overall budget?

>> Mayor Reed: The agency does have, somewhere around \$1 million a year on average that comes into the total revenues available. So if we have money that's encumbered and it's still in our possession we've got it invested, the city has a big income pool, that's \$1 million a year, that's nice but it is nice if it was more .

>> Several. Why is it we are the only city that has affordable housing and everybody else is sitting on their money? Pay less to these employees because they're getting a freebie here or reduced cost of living here? I don't understand that.

>> Mayor Reed: I can't answer the question about what the companies might be doing with their employees. We've created through our affordable housing program over decades, 18,000 affordable housing units, and that's almost \$600 million of funding that have gone in from tax increment funds into the housing agency or directly from the redevelopment agency to help build affordable housing. We are one of many lenders. We're leveraging private sector funding to do that but not every city in the state thinks it's a good idea to build affordable housing. We think it's a great idea to build affordable housing because of the great demand and need for affordability housing in our area. It's a public utility decision that gets made by the city council, but the state we're spending that, other cities are not necessarily spending that because they don't really want affordable housing in their city. The city of industry which has a big redevelopment area doesn't build affordable housing. They almost have no people in their city. So they give their money to city of Los Angeles. It's been committed differently. But we give housing, since we have so much, that's why we have really the most successful program in the state. We usually outdo even L.A.

>> Ross Signorino: Mr. Mayor with the Fremont plant closing, the auto plant closing, how will that affect us here in San Jose? Do we have a lot of employees that work there? Do we have a lot of suppliers that supply them with the needs that they have? And is there anything that San Jose is trying to help Fremont in that regard? That in a way that would be helping us at the same time?

>> Mayor Reed: There are 4700 jobs another the Fremont factory, good jobs, they're union jobs. It's going to be closed. Probably out of that 4700 people working there maybe a thousand are from San Jose. I don't really know. I haven't got a count but I wouldn't be surprised if we don't have a thousand people that were working there. In addition to that 4700 jobs at least that many of suppliers vendors customers right around it want to be close to the factory. Statewide there's many more than that because you've got ports all over the state that move those automobiles back and forth. I've been up there and worked with our legislative delegation to try to do something at the state legislature. So far the state legislature has been unable to pass legislation trying to help deal with some of the problems that have been identified that are motivating Toyota basically to go to Texas. We're not in control of that but we will of course get the impact of it when somebody gets laid off in Fremont. If they're unemployed in San Jose, creating jobs is a high priority for us. We have in this city over a 13% unemployment rate. All right, I have a couple more cards from the other folks. If the state takes \$75 million over two years, and the housing pays \$75 million over two years the problem would be solved. But the agency budget is taking 42 million from the county plus selling 30 million in taxable bonds for operations, is it safe to say that the state grab is not the full extent of the problem? Yes, as I call it, we have the double whammy, the double whammy of the state taking 75 million, and a very difficult economy where tax increment is either not growing or next year could shrink. That combination of no growth and the state take have created the situation that we're in and we hope to get out of in a couple of years, as the economy improves. But it's not just the state. It is the economy as well. Other questions? Yes.

>> Ed Rast: Going back to two ideas that were brought up at the budget deficit stakeholder group, the first one was the idea that the city has a tremendous amount of property that is way undermarket from a lease point of

view. My understanding is just to address that, that it won't be addressed until about 2011. If you would speed that process up, either redevelopment or state property there might be additional revenue for both the redevelopment agency as well as the city. I don't understand why it's taking so long to address the issue, yes, you have a huge amount of property, but the key ones are basically about a couple dozen maybe a hundred properties. Second with one is, there's been a long debate between the city staff and some of the business community over the idea that San Jose has the highest cost of doing business. Whether we do or do not, the world thinks we do. Until we either recognize that we do and do something about it along with a difficulty in working through the administrative process to get approvals, or whether the Rose institute or some of the magazines, we are under a major disadvantage to try to recruit for new companies or retain new companies. So somebody has got to look at it and say yes we have a high cost of doing business or high process and no, we don't, because now they don't believe we do and their perception is reality.

>> Mr. Mayor, I'm offering an alternative. The city has a lot of vacant property. It's not being used at the present time. There's a need for clean energy. Why not lease that property to developers that are interested in creating solar farms to generate energy and then sell that energy to the grid and then in turn we get the lease dollars from that. That's one way to, if we could encumber that right away, get that moving so they would be able to get the money paid up front and then we can do several things, we create the green type of technology that we need, clean technology, we create the energy and we also benefit from the lease. So that's a consideration. Thank you.

>> Mayor Reed: Anything else in any other category?

>> , participation is much better than sunshine. So thank you very much for having this forum. You spend, the city spends --

>> Mayor Reed: Would you get that microphone a little closer?

>> The city spends many, many millions of dollars every year on outsourced landscaping and water and it isn't very well controlled right now. There's huge opportunities now. One that isn't a zero sum cost savings is to aggregate businesses with the city properties to create a zone of contract RFPs. So that vendors who have about a 30% down time factor on their payrolls can come to one zone and give lower prices to not only the city but all of the businesses that are within that zone. So everybody makes more and there's so much to save there with water and with the cost of those outsourced contracts I think that we can find a lot of the millions that we're looking for just in that cost center.

>> Mayor Reed: Anybody else? I'm going to stay, if anybody wants to ask questions that they didn't want to speak out publicly. I'm going to stay for a while. I have one last question from the other audience, in case you're thinking of another question. And the question is, how will this impact the efforts of homeowners who are trying to improve their area and homes? The less redevelopment dollars we have to spend in the strong neighborhoods initiative areas, the less improvements we can make. And one of the reasons we do the the strong neighborhoods initiative investment is because the public sector investment encourages the private sector to invest, inclusion people to fix up their homes. The less money we have the rest we'll have to do that. one of to line items so I think that's the last of the questions I had. I want to remind you that the list that we want you to circle is in the packet. Just pull it identity. It's page 1 and 2. Programs, proposed new funding. That's the list. Two pages, front, back. And if you care to share your priorities with us, circle your top five, and if you don't like what's on the list, there's room at the bottom to add in some things. And please, give those to us on the way out. I will -- we're going to compile these and they'll be reported to the council. I've got a budget message that I have to produce on Friday. The council will consider that in a public session on December 8th. And we appreciate hearing from you. And if you have a good idea on the way home tonight that you forgot to share with us, call my office. And we're looking for good ideas. We all want the silver bullet. If we find one we're going to use it. Thank you for coming, really appreciate your participation and we'll see you around. [applause]