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>>> Now, before we begin our program, we want to acknowledge some very special people attending the event. We welcome the following guests, from Santa Clara county President Dave Wiznicki, Tim Jaeger. Assessor Larry Stone. I got the check right here, Larry.

>> It's going to bounce, don't cash it.

>> And D.A. District Attorney Jeff Rosen.

>> All right, we also have some great state legislators here, state assembly member Nora Campos, Rich Gordon.

>> It's my turn, sorry.

>> When you see the elbow, it's your turn.

>> Janet Grey Hayes. Santa Clara Valley waterboard member Linda Lazott. Santa Clara Valley board member Patrick Lock. Santa Clara County Mayor, Jamie Matthews. Morgan Hill Mayor Steve Pace.

>> Hi, Steve.

>> What do you call Morgan Hill again?

>> I do not do that any more.

>> Chuck Page who's much taller than me. Council members Jeff, Christina and Evan Lowe. And Chris Huang.

>> Good looking group. We're fixated on you all.

>> We also have representatives from the following officials. We have people here from Congresswoman Lofgren's office. Congressman Mike Hopkin's office. County Board Vice President George Shirakowa's office. We have vta represented here. The wonderful vta. My alma matter, San José State University is here tonight. The Santa Clara County office of education, and we have people here from San José's 19 public school districts. Give them all a big round of applause. All of you get a round of applause for being here this evening.

>> Now before we begin the program, the formal program this evening, we have to give a huge round of applause. Strumming for vets, where are you? Stand up.

>> They are absolutely fabulous.

>> They are. Represented here tonight are veterans of the U.S. Navy, the marine corps, army and the air force. We want to thank you all for being here tonight. Yeah, let's do that. [applause]

>> And thank you for your service to America too.

>> Nothing like them.

>> We also want to encourage all of our guests to visit one of our excellent downtown restaurants. We have a lot of fun downtown dining.

>> You have many choices and the best are right here.

>> Stop by one of our fine restaurants after you leave the event. The San José downtown association is kicking off a two-month promotion plan. It offers \$10 off selected downtown restaurants. And selected discounts at your favorite art venues. You see where we're headed, an entire experience for you. Open your programs to the last two pages for all the details and a list of participating locations. Go grab a bite tonight and come back downtown to catch a show or tour one of our great museums.

>> Heck, go Sharks. Go Sharks.

>> That too. Go Sharks.

>> We're going to start tonight by introducing San José's elected leaders, your San José city council. I feel like i'm on "American Idol," your San José city council. Please enter and you'll take your seat on stage as we call your name. We're going to start with pete constant of district one. Sam Liccardo of district three. Javier Campos of district five. My district, district seven. And councilmember Don Rocha of district nine.

>> If you haven't already, members of the city council please come to the stage. Welcome other members of the city council, Ash Kalra for district two. District four Pierluigi Oliverio, Rose Herrera who cannot be with us tonight. She represents district eight. And finally, please welcome the distinguished mayor of San José, Chuck Reed. [cheers and applause]

>> I feel like we should be standing. Oh, we are. We are.

>> We'll hear from Chuck a little later on in the program. Good idea.

>> Thank you. Thank you.

>> If i can just say, because it took me a year to learn how to pronounce his name, pierluigi oliverio. It took me a whole year when i would do news in the morning. I don't know what i would call him. Last night they had me down and they switched it.

>> I was so upset, i finally learned it. We have great people behind us. We're going to start the program now, and -- if you'd like to know who this guy is, sam van zandt he works with this wonderful woman in the morning. We've been morning show partners for six years and best friends for six years and many more to come.

>> That's right. We were friends long before we worked together. Lissa spent most of her career waiting to work with a handsome guy.

>> I got him.

>> We do know the state of the city in the morning on the morning show.

>> Sleepy, sleepy, sleepy.

>> We do what we can to wake you up. We're proud to do it. And very proud to be a part of today's proceedings.

>> 94.5 kbay.

>> 5:00 to 9:00 in the morning.

>> Sleepy. We have incredible kids here tonight, outstanding student who going to lead us in the pledge of allegiance as only they can do, they are second, third, fourth and fifth graders from ruskin elementary school.

>> They're very cute, too.

>> They are very cute. They all have their nice t-shirts on, they're officers of the kiwanis kids club, they start out early. The fourth and fifth graders are our future leaders. Every one of them is an exemplary leader. Look how wonderful they are at ruskin elementary school. Have at it, kids.

>> I pledge allegiance to the flag of the united states of america and to the republic for which it stands one nation under god indivisible with liberty and justice for all. [cheers and applause]

>> Good job. Good job, kids. Everybody remain standing, we have more. Welcome to the stage this evening, Diane Milowicki. Diane has worked for the city and the department of transportation for a little over 12 years and is currently a division manager with the department's infrastructure maintenance division -- and she has a beautiful voice. She oversees traffic maintenance and landscape services. She has been performing for more than 35 years in pop, rock and jazz, big bands, live theater, cabaret. You can see her perform next month here in San José in Tabard Theatre's production of "Follies" at the theatre on San Pedro Square. We're looking forward to that. Diane will now sing our national anthem, Francis Scott Key's "The Star-Spangled Banner." \m o say, can you see by the dawn's early light \m\m what so proudly we hailed at the twilight's last gleaming? \m\m whose broad stripes and bright stars through the perilous fight \m\m o'er the ramparts we watched were so gallantly streaming? \m\m and the rockets' red glare the bombs bursting in air \m\m gave proof through the night that our flag was still there \m\m oh, say, does that star-spangled banner yet wave \m\m o'er the land of the free \m\m and the home of the brave? \m\m [cheers and applause]

>> Wow!

>> Thank you again, Diane Milowicki and our special guests from Bay Area Ruskin Elementary School.

>> You watch, some day they're going to be sitting back here.

>> You're right.

>> Those are our future leaders. That's great.

>> So --

>> So, is it my turn now? Oh, my goodness. We need to bring up somebody very very special. Monseigneur Eugene Patrick O'Donnell, happens to be pastor of St. Francis Assisi Parish. And he will be delivering the invocation.

>> San José named for st. Joséph, the husband of mary, the mother of jesus. Their righteous and caring man, who loved his wife, cared for his family, protected his household. He was also a dreamer, who listened to his dreams. And they always put him on the right path. San José, st. Joséph, was also related to another Joséph, who went down to egypt and became a great nation. But was oppressed by pharaoh until being led out of slavery by moses. May the leaders of San José be Joséph and moses people. Like Joséph, may they care for all the households of San José. But especially the poor, the widow, the orphan, the foster child, the day worker and the immigrant. May they welcome all who find their way here from all over the world who come bearing gifts and to create a tapestry of color with their culture, language, music and dance. May our leaders care especially for our children, their health, their safety, their education, so that they can develop their talents and contribute to the new economy that begins to be born. Like Joséph may they dream and envision the future and trust their dreams as he did. Like moses, may our leaders bring hope and confidence to the people. May they grab this sputnik moment and encourage jobs in the new economy. Put the unemployed back to work. Teach workers new skills. Help those burdened by foreclosure. May they tell us what we can do, what is possible, what we can achieve together with intelligence hard work and imagination. May they not limit their dreams and our desires to make this a more just, vibrant and successful community. I pray this blessing on our mayor. The members of the council, the city staff. And on all here present, and on all the people of San José. May the lord bless and keep us. May he let his face shine upon us and be gracious to us. May he look upon us with kindness and grant us his peace. Amen.

>> Thank you, monseigneur. So, you know, tonight is different than normally how it's been in San José. This event the last four years has been a breakfast affair. Part of the reason the state of the city address was moved here this year for an evening event was so sam and lissa could attend. You're supposed to laugh -- to celebrate the renovation of one of San José's truly historic performing arts venue. And you're sitting in it, the San José civic auditorium. Is this not gorgeous?

>> Isn't it beautiful?

>> Look at this place. [applause]

>> I think it's ready for lady gaga.

>> Maybe not.

>> Maybe lady antebellum.

>> Maybe.

>> Okay. Through the leadership of mayor chuck reed, the San José city council and the San José redevelopment agency, \$11 million has been invested in the historic venue to make the civic a west coast must-play venue for touring artists and entertainment hotspot in downtown San José. Just the last couple years, so many great acts.

>> Recently, michael mcdonnell. We've been here forever and ever, and so much history has taken place in this building. Construction began on the San José municipal auditorium, as it was called then, in 1934 during the first term of franklin d. Roosevelt's new deal, you were part of the agreement, i understand. It cost half a million dollars back in 1934.

>> Charlie sheen blows that on a weekend.

>> They laughed at that one.

>> Okay.

>> Lissa wrote it. Over the years, herbert hoover, eleanor roosevelt, my first co-host, ronald reagan and richard nixon appeared at the civic auditorium. Nixon we won't forget, 1970 he made national headlines, he was greeted by anti-vietnam war protesters right here.

>> How many of you saw the warriors play here? You.

>> Know who else? Chuck reed.

>> And jim reiber. Maybe some of you have played here. We had wilt chamberlain play here because the warriors played the lakers. San José state, the spartans played here, the santa clara broncos played here, the harlem globetrotters played here. And here you are tonight.

>> And the bay bombers, roller derby. [applause]

>> I knew you were a class audience. Heavyweight champions, joe lewis also max baer -- that guy baer on "the beverly hillbillies" dad p.m.

>> yes.

>> Jack dempsey all had prizefights at the civic arena. As did highly regarded San José state and 1960 u.s. Olympic boxer harry campbell.

>> Yeah, San José state, say that again. We had some of the most famous band leaders, duke ellington, harry james. At one point you could fit 3,000 people in here. When james was here, somehow they squeezed in 8800 people. They were all sitting on each other's laps or something. It was a good time.

>> I saw ray charles here, he didn't see me.

>> No, he did not. And he's still not seeing you.

>> I'm ashamed of that.

>> You should be.

>> You may recognize some of the other bands that have performed here, including the rolling stones, unveiling "satisfaction" right here at the civic auditorium. And they still can't get no.

>> James brown, bob dylan. Back then no one knew what he was singing. It goes on and on. Rick nelson, the doobie brothers. Pat simmons --

>> You knew him.

>> He used the bathroom at my house. True story. You are sitting here, this is one historic place. Look what it looks like now, we hope you come back and come back and come back.

>> Another local note for you, San José rocks co-founder tom muller and his band.

>> Yeah.

>> Yeah, the new arrivals. Also appeared here. They backed up some great bands, chuck barry, sonny & cher, the righteous brothers.

>> And then they opened lou's village just like that. It's a landmark institution, and we have such history here, and we hope you San Joséans make the most of it in the coming years.

>> There's a lot coming today. The civic center is set to relaunch its highly anticipated concert series later this year. What's new?

>> New seats, you're sitting in them. They're fancy.

>> They're customized.

>> We got a state of the art sound and hd video system, so the concerts sound even better.

>> New cup holders.

>> And have you seen the restrooms? I have. They're great here. Even a three-story elevator. Fancy.

>> You don't have to walk up the last flight any more.

>> If you notice and take a minute. There's a wall of fame that wraps around the first floor. Maybe you've seen it already. If you haven't, it's a treat. Life sized photos of legendary artists. And there is refurbished hardwood flooring, new lighting, and new interior and exterior paint. Good concession stands. I'm telling you.

>> Qre you?

>> I am.

>> I'm listening.

>> Yeah.

>> I love the wall of fame. Pictures of people who performed here when they performed here. Streisand, sammy hagar. I mean, just everybody performed here. This evening we are continuing a tradition of the state of the city event by honoring some of the people in San José who make our city a much better place to live and work. And we're very grateful to them. The pride of San José honorees are employees selected by the city manager who

represent the highest level of public service and commitment to the city of San José and its residents. Hey, that's us. The following seven teams were selected for their efforts in exemplifying the city's employee values in 2010.

>> Let's start off, the first group, the category of excellence. We honor the bay area revenue management team. Last year, this team of parks, recreation, and neighborhood services staff created the bay area revenue management school, which sounds very official and it is. It's an affordable training program focused on business planning and revenue development. The program has attracted over 100 participants from agencies throughout the region and allowed San José to subsidize the cost. Like that word, subsidize the cost of offering the training to its own staff.

>> In the category of celebration, the airport terminal area improvement program team. The airport terminal area improvement program team oversaw the \$1.3 billion expansion at mineta San José international airport, which is the largest single capital development project in the city's history. Can you spell jobs?

>> Love the airport.

>> Yep.

>> Yep.

>> The renovation -- you love the snack bar.

>> The first thing i told them at baggage claim, they have vending machines now. It's all there.

>> The renovation was completed ahead of schedule, under budget and with minimal disruption, and successfully transformed San José's airport into the premier gateway for travelers throughout silicon valley. It's an amazing place. And i know as one who remembers when the airport was a shack.

>> Yes, terminal c. It is quite something if you haven't been to the airport yet. Now we have the category of collaboration. The first thing that comes to your mind is the mexican heritage plaza. This partnership between the city and the school district resulted in joint use of the mexican heritage plaza. The collaboration provided students from san antonio elementary school with a temporary home during the school's renovation and offered the plaza with a source of revenue while it develops a new operational model. This team overcame several challenges to ensure that the plaza's classrooms were ready for the first day of school.

>> Wow!That's hard work too. In the category of respect -- r-e-s-p-e-c-t.

>> Respect, aretha franklin.

>> The green mobility initiative team. We're going green in San José big time. This team of employees has helped advance three significant green initiatives over the last year, including 2,700 smart led streetlights. Have you noticed them? And they also evaluated the feasibility of a podcar and secured several grants that will help the bay area become the electric vehicle capital of the nation. These three initiatives are key examples of how San José can become the world center of clean technology. San José's going green.

>> That takes us to the category of innovation. Two teams were picked this last year. The San José public library website development team and the San José fire department dynamic deployment team. In november, the San José public library launched its new website, offering residents online access to a multitude of resources p.m. They have 60 databases, videos and pod casts as well as e-mails and rss alerts. The website's 250,000 monthly visitors can now enjoy blog posts created by hundreds of staff members and interact with librarians by e-mail, chat, and text message.

>> You've got an app for that.

>> It's very, very cool. Last year, the san jos fire department, the die familiar tick deployment team created a resource management strategy to help address geographic gaps in emergency service coverage. The strategy

uses both public safety dispatchers and updated technology to reposition fire department resources as needed. Early data shows that response times have been consistently above minimum standards, so the fire department is continuing to respond to emergencies in a timely manner. And we like that.

>> Yes, we do. In the category of integrity, retail business project advocates.

>> Retail.

>> Retail.

>> We like that.

>> That means shopping. This multifaceted team works with businesses that are considering locating or expanding in San José. We need a lot more of those. We're glad they're working with them. On a daily basis, these individuals help businesses navigate the city permitting and planning process -- which can get complicated. They address any complications that may arise along the way. This team's efforts are absolutely critical to creating jobs in San José and growing our local economy, both of which are necessary to create a thriving and vibrant community.

>> So all of these pictures you've been looking at, these people are sitting in the audience. Would all of you pride of San José honorees please stand up, take a well-deserved bow. Big round of applause. Fabulous. Fabulous San Joséans. Great, great people. [applause]

>> Thank you, thank you, thank you.

>> Thank you for now and the future.

>> Now we honor the people in our community who set the example, who stand above the rest in serving our needs. Each council district is asked to select a nominee each year, and i think you'll agree that we have a remarkable group of people coming up here. Honorees would you please come up to the stage because we have a special thank you from our councilmember and mayor, of course.

>> For district 1, councilmember pete constant honors the district 1 leadership group. The district 1 leadership group was formed in june 2007 to foster communication between district 1 residents, community organizations and their elected representatives. Everybody getting together to solve some problems. Comprised of leaders from neighborhood associations in the district, the leadership group has been a consistent and influential voice on a wide range of issues facing the city. Their members have also embraced San José's spirit of innovation and last year hosted a virtual town hall to provide residents with information on the november 2010 election -- the first live online event of its kind in san josΘ. That's innovative.

>> Thank them very much. You guys did great. Now we have district 2, this is councilmember ash kalra's district. He would like to pay tribute to the coyote creek neighborhood association. The coyote creek neighborhood association has proven that there is no limit to what can be accomplished when neighbors work together. The association is responsible for countless neighborhood improvements and public safety projects. They recently adopted shady oak park. Their latest "good neighbor volunteer day" attracted more than 40 good neighbors who spent the day raking leaves, pruning trees and removing debris. Even though several members were rewarded with a case of poison oak, we have no doubt that these dedicated volunteers will be back next year. As you know, some are still scratching.

>> They're itching to get back there.

>> I have to say, we have a couple up here, today is their 55th wedding anniversary. Not many people mae make it to 55 years. Sam and odette morrow. [applause]

>> Isn't that something? Look how young they are, they got married when they were 10.

>> Congratulations.

>> 10.

>> How about councilmember sam llicardo. He's chosen to honor one of our personal favorites on the morning show, christmas in the park.

>> Yay![cheers and applause]

>> We have to keep the christmas spirit alive all year long for christmas in the park. Since the early 1980s, christmas in the park volunteers have transformed plaza de cesar chavez park into a holiday fantasyland. I'm sure you've seen it at christmas time. For one month, the park is filled with glittering lights, more than 60 musical and animated exhibits, and the 60-foot community giving tree.

>> Very nice.

>> Also no left turns.

>> And one day during that time it's the sam and lissa kbay stuff the bus for toys for tots. One and a half transit buses full of toys for needy kids here.

>> That's a lot of happy kids.

>> All thanks to christmas in the park, yeah.

>> The event is supported by a volunteer board of directors and countless other community volunteers who donated 250,000 hours of their time and raise funds all year round. If you see them with a tin cup, put something

in it. As a result of their efforts, the beloved holiday tradition has drawn more than 450,000 people to downtown San José each year. We have to keep that alive. How about a round of applause for them. [applause]

>> All right, good people up here tonight. For district 4, this is councilmember kansen chu he's honoring my project youth connect. My project youth connect was founded by david hernandez in 2008 to provide free educational resources to local parents, children and teachers in the greater berryessa community. The group also organizes educational workshops to promote a lifelong learning environment they have a scholarship program for the youth. To achieve its goals, my project youth connects partners with organizations that provide educational resources, collaborates with local business leaders and relies on a dedicated and energetic corps of volunteers. So let's give them a hand. [applause]

>> For district 5, councilmember xavier campos will honor the police activities league. A very special favorite of mine. My buddy lamont cuseau. They do such wonderful work for kids. Every time they spend time with a kid, it improves San José. It's so much better for San José. The activities league, they call it a crime prevention program. It's so much more for youth. It's a deterrent against delinquent behavior. You should stop by the facility and see it, it is a wonderful facility, first class. If you have kids, you might want them to stop by and see it for themselves too. It's administered by a lot of volunteers from the San José police department. The program is based on the belief that youth who develop strong positive relationships with police officers -- you know what happens, the best things happen. They become positive role models in their community and it all gets paid forward. San José's police athletic league is one of the oldest citizen-building youth programs in the nation and reaches approximately 10,000 young people each and every year. Big round of applause for them. They work hard. [applause]

>> Very cool. I was hoping to get so announce district 6 so i could say councilmember pierluigi oliverio again. But actually, this is one of my favorite organizations, the junior league of San José. I have never in my life seen anybody working like these women. And the junior league actually has 750 women as part of the San José organization. And boy are they committed to promoting volunteerism, developing the potential of women and

improving the community through effective action and leadership. 44 years old, the junior league of San José, and they've given almost \$5 million back to the community.

>> Wow!

>> Isn't that something? [applause]

>> And look how young they all look.

>> That's why they call them junior.

>> That's right. They never grow up. Junior league members also contribute 27,000 hours of service every year for a variety of charitable organizations, including our love children's discovery museum. The early childhood center. Envisions, the georgia travel center and grail family services. A fabulous group of women here.

>> They're like us, they never grow up. [applause]

>> For district 7, councilmember madison nguyen honors the district 7 youth advisory council, under the leadership of the commissioner amanda aldama. The advisory council has been instrumental in increasing youth awareness and participation on important city issues. They have worked with various neighborhood associations to organize graffiti clean-ups, litter pick-ups, and tree plantings too. They help beautify our city. That's important. They also introduce a social host ordinance to hold youth and adults accountable for underaged drinking. The group also developed "ignorance isn't bliss," an anti-gang public service announcement that was produced by the mayor's gang prevention task force and won a western access video excellence award.

>> Isn't it wonderful to see young people standing up here? Very, very nice. [applause]

>> Very, very nice.

>> Good work.

>> We learn from them, that's for sure. Now we have district 8, councilmember rose herrera, another one of my favorites. Honoring evergreen elementary education foundation. I used to live out in evergreen. Rose could not be here tonight so mayor reed is doing the honors. The evergreen elementary education foundation was formed to strengthen our local schools and ensure a better path for all evergreen students. The foundation has helped mobilize parents to maintain the quality of education in the classroom while also building cooperation between parents, teachers, administrators, and local businesses. The foundation is currently working to raise supplemental funds -- we like that word, supplemental -- they're working to raise supplemental funds for all evergreen schools. And they hope -- and they will do it, because they've set a goal -- to raise \$1 million in this school year. Way to go.

>> Give them your applause and when you can, give them your help. [applause]

>> For district 9, councilmember don rocha is honoring the relay for life of cambrian. The relay for life of cambrian is a volunteer-driven event dedicated to raising money for the fight against cancer. In just its second year, the local event brought in more than \$200,000, now that's impressive. One of the highest grossing totals in the state, incidentally. The cambrian relay has become a shining example of how volunteers can effectively plan and manage a community fund-raiser, and event organizers are already in full swing preparing for this year's relay on april 29th and 30th. Get it on your calendar.

>> We know you're free.

>> Thank you very much. [applause]

>> For district 10, councilmember nancy pyle has selected to honor pastor larry brundage. He is one of the pastors at south hills community church, a former board member for the hoffman/viamonte strong neighborhood initiative area. Larry brundage has gone to extraordinary lengths to make a difference in the community. Pastor

brundage has spent countless hours coordinating park clean-ups, counseling at-risk youth, organizing esl classes and collecting holiday food donations for needy families in the area. Most recently, he led a team of 300 volunteers in a makeover of jeffrey fontana park, installing 1,000 plants and performing maintenance work as a tribute to the fallen officer. Thank you very much.

>> Wow![applause]

>> So another round of applause, right.

>> Yeah, i'm impressed with this group of people.

>> We have good people in San José, no doubt about it. We're getting closer and closer to the mayor, i promise you. I promise you. We have a very special guest tonight who wants to introduce the mayor. Mike klayko. He has been the ceo of brocade since 2005. And he understands that San José as the capital of silicon valley, an innovation center of the world, offers unique advantages that cannot be found anywhere else to companies like brocade.

>> Brocade has been an important part of the San José business community for almost 15 years, building high-performance networking equipment that helps connect people and businesses to each other all over the world. Again, can you spell jobs?

>> It is very fitting that mike is here tonight to introduce mayor reed. Because their joint leadership was instrumental in brocade's decision to not only stay in San José, but to invest in San José. Through the construction and opening of a 562,000 square foot modern campus. You see it as you're driving by, you can't miss it. It directly and indirectly supports almost 6,000 jobs throughout the city and county of santa clara.

>> 6,000 what?

>> 6,000 jobs.

>> Ladies and gentlemen, will you please welcome the ceo of brocade, mike klayko. [applause]

>> So it's been almost a year now since we moved to our campus in north San José that houses about 2,400 employees there. In a very ultramodern facility, including a very energy efficient data center that i am absolutely proud to show off to anybody, including the cio of the united states who showed up there last week to tour the facility. The man i'm about to bring up to join me on stage had a lot to do with this. Many of you have heard me describe mayor reed as someone who moves at the speed of business. He really gets it. You need to do that in silicon valley, especially here, because everything's done at a breakneck speed. To be really effective in government, you not only have to understand that, you have to be able to do something about it. This is really good, because mayor, it looks like the business in the valley is picking up. We had our earnings call earlier today, and we had an opportunity to talk about our strong performance in the networking industry also. Some of you know me, but as you all know, growing any business as i talk about is not easy, even in good times, especially in high-tech. And the business i'm in is highly competitive, and very global and becoming more and more increasingly global. And the competitors i have in other parts of the world have certain advantages. Like in china, they have advantages of tax holidays, access to deep and very cheap sources of labor. And loose regulatory requirements around environmental. Especially compared to the ones we have here in the united states. Mayor reed understands this too. That's why he's been with me on numerous trips to sacramento and washington, d.c., as part of the silicon valley leadership group delegation made up of businesses and government leaders like the mayor. We keep going down to washington and sacramento to recommend actions to keep silicon valley competitive and great in this global landscape. For those of you who know me -- for those of you who may not know chuck reed, like me, he's from the midwest. He was born and raised in a small farming town of garden city, kansas. He has a very strong work ethic. While in elementary school, he was sweeping floors, digging ditches, shoveling gravel, working fields. Kind of a guy's guy, in my opinion. For me, it's important that our public officials understand where we're all coming from as constituents. If you want someone who understands hard work, public service, military service, business, nonprofit organizations, and most importantly, raising a family, i don't think

you'll find a better public servant than chuck reed. Ronald reagan used to joke that the nine most terrifying words in the english language are i'm from the government and i'm here to help. [laughter]

>> With all due respect to the great president, mayor reed you can come help me any time. Please join me in welcoming San José's 64th mayor, mayor chuck reed.

>> Thank you. [cheers and applause]

>> Good evening. Welcome, everyone. Thank you all for being here. Thank you, michael klayko for the wonderful introduction and for keeping brocade in San José. As michael mentioned, he built a state of the art complex for 2,800 employees in San José. Thank you for your investments in San José, for the thousands of jobs and millions in tax revenues coming our way. We appreciate that. I want to congratulate our honorees this evening, our community volunteers and city employees who were just recognized. Thank you for everything you do to make san josé a great place to live, work and raise a family. Let's give them another round of applause. [applause]

>> And thank you, lissa kreisler and sam van zandt. I lost track of where you went. Great job. We appreciate them showcasing the history of the wonderful facility here and the honorees. Great job, sam and lissa. [applause].

>> And thanks to the band, they couldn't have gone too far their instruments are still here. Strumming for vets. Thanks for your music and for helping veterans with the challenges they face returning from combat. In fact, i know we have some veterans in this audience. All of you veterans out there, please stand up. Thank you. Thank you for your service. [applause]

>> I know we have some elected officials here tonight, who have joined us. Thank you for your service in these tough times. I would like the elected officials to stand up. I think most of them are up front. Thank you. [applause]

>> I want to recognize my wife paula and my sister sandy who joined us tonight. Paula, thank you for your love and support. Without your help, i wouldn't be mayor. [applause]

>> I hope you are all enjoying our new/old civic auditorium, newly renovated with redevelopment funding. Was anybody here in 1968 when the w.h.o. Kicked off their first u.s. Tour? Sam and lissa. Anybody else. Sorry to disappoint you, but i won't be smashing any guitars tonight. What i will do is highlight some great things San José has accomplished, despite tough times in our state and nation. And i'll present you with the facts about the challenges we must solve to ensure that the things we value most about San José are preserved for future generations. In the near-term, we must work to create jobs in San José and work to keep existing jobs here. Keeping jobs here in silicon valley has been a monumental task, made much more difficult by having to compete with cities that get major financial contributions from their state governments to help companies expand. Over the past ten years, texas has added more than a million new workers, and arizona has added nearly 400,000. California? We've done worse than zero. California actually lost jobs over the last decade. Governor brown said it is his "intention is to make california again a leader in job creation." the state legislature should embrace this goal, and they can start by rejecting the governor's proposal to eliminate redevelopment agencies and enterprise zones. [applause]

>> Those are our main tools here at local level to support job creation. The state of california ought to look to other states and learn how to help the private sector create jobs. That's what it will take to get revenues growing again so california can climb out of the fiscal quagmire. Despite these challenges, there is good news. Even though the city, the state and the country are far from recovered from the great recession, there are reasons to be optimistic about our local economy. Namely, silicon valley companies are growing, and we ended 2010 with a positive net year-over- year job growth. That's good news. And i'm happy about that. [applause]

>> Much of San José's success is directly related to the collective efforts we have made to implement our economic development strategy. Kudos to our special incentive improvement team, our planning building and code enforcement department, our office of economic development and our redevelopment agency. You're all doing a great job to help companies stay here and grow here. Just in the past year, our expedited permitting programs have helped more than 100 companies. You'll see some of their names coming up on the screen. Let me give you one example of this great work. Back in september, i hosted 15 local developers and brokers for a

reality check of silicon valley real estate trends. They reaffirmed that San José had an opportunity to generate jobs and revenues if we could work at the speed of business. Shortly after that meeting, we assembled a team of jobs and revenue generation with staff from seven different departments actively engaging with the developers who told me they were eager to break ground on new projects. This team made it possible to get projects moving quickly and over the goal line by the end of the year. Thank you to irvine and fairfield for pulling building permits for 1,600 apartment units in december. Here's the irvine project. Already under construction. Others are likely to pull permits for another 4,000 units before september. These investments will generate millions of dollars of tax revenues and create thousands of construction jobs. All of that has been made possible by a great team working at the speed of business. With nearly 100,000 people unemployed in santa clara county, creating jobs must continue to be a top priority, and when it comes to creating jobs, our green vision is paying big dividends. Despite the worst economy since the great depression, San José is the home to clean technology leaders around the world. And we have 4,000 clean tech jobs in San José. Our demonstration partnership policy has proven to be a successful element of the green vision. Clean tech companies told us that one of their biggest problems was being able to demonstrate their products in the real world. Our first partner was coulomb technologies who installed their first electric vehicle charging station across the street from city hall. They now have thousands of charging stations around the world, and we have received millions of dollars in grants to build infrastructure for electric vehicles with our regional partners. In december, we unveiled the green vision showcase across from city hall where 12 renewable energy companies are demonstrating their products. Our green vision goals not only help incubate new technologies, they also save energy, prevent waste, and save money. In this next year, we will break ground on three new waste energy facilities that will divert material from landfills and use it to generate power. And we'll close deals with new companies to produce 15 megawatts of solar energy to power our city facilities. Another important job creation opportunity is our new, world-class airport. The new airport is efficient for airlines and convenient and comfortable for the public, and it's among the best in the nation for on-time performance. Our passenger counts are starting to go up, but we need more flights to serve our business community and silicon valley travelers. As we add airlines and flights, hundreds of jobs will be added i've made a personal commitment to help rebuild airline business and have been meeting with airline ceos to find out what we can do to help them grow in San José. Thank you, silicon valley leadership group and San José silicon valley chamber of commerce, for your support and advocacy for the airport. And carl, thanks for that 71-hour trip we

took to japan to talk to ana. From these meetings with airline ceo's, i know it's clear that our success is dependent on the implementation of the airport competitiveness plan. This is a very difficult thing to do, because many things have to happen at the airport -- and the teleprompter has stopped working. However -- where's plan b? [applause]

>> Always good to have a plan b. I want to thank alaska and southwest airlines for their new flights to San José. We appreciate their flights. The council's been very clear and consistent in support of the airport. But difficult decisions still need to be made to control costs and ensure the airport's success. When we ask our residents what the city's top priorities should be, two things rise to the top -- building a strong economy and creating a safe community. Two things. We're beginning to see good news on the economic front, and now i want to share some of what we have to be thankful for when it comes to public safety. San josΘ remains one of the safest big cities in the country. That's a really good thing. Officer-involved shootings have dropped dramatically over the past six years. Our homicide rate is one of the lowest of the big cities, and our officers solve homicide cases through great police work and collaboration with our community. The mayor's gang prevention task force has become a national model. We continue to work to reduce gang violence through innovative programs like the safe summer initiative. I want to thank our district attorney jeff rosen who is right down here. He's engaged with our task force, and he helped us find \$75,000 to help fund the next safe summer initiative. Jeff, thank you for that. [applause]

>> Another good thing -- actually two good things, we have a great new chief of police in chris moore and a great new fire chief in willie mcdonald. [applause]

>> Both of these men have stepped in to difficult jobs at a difficult time. The biggest challenge chief moore and chief mcdonald face is managing their departments with flat budgets and skyrocketing expenses. In past years, we have asked our police officers and firefighters to do more with less, and they have. But the reality is we cannot maintain existing service levels with fewer people. With the cost of retirement benefits for public safety rapidly escalating, we've been forced to reduce staffing in both the police and fire departments. Did you know the budget for public safety is the same this year as it was last year? It is. But we have fewer police officers and fewer firefighters than we had last year, because the cost per person continues to climb dramatically. We expect and we

receive extraordinarily high standards of service, and we are very proud of the men and women in our police and fire departments. Our police officers and firefighters regularly take risks to protect this city from physical harm. Now we are calling upon them to help save us from fiscal harm. Next year's budget will have a shortfall in excess of \$110 million, because costs are going up and revenues are flat. The largest part of the increase in costs is for police and fire pensions, which will grow by over \$45 million next year. No one wants to layoff police officers or firefighters, but it will take significant concessions to avoid layoffs. Let me emphasize that there is no more money. The well is dry. The \$445 million we are spending on public safety this year is more than we will receive in revenues from the property tax, sales tax, utility tax and the phone tax combined. And those revenues are flat. Even if we can keep the budget for public safety at the same amount as it is for this year, which is by no means guaranteed, the police and fire departments will have to figure out how to absorb huge retirement benefits for police officers and firefighters. Some savings could come through new ways of serving our residents, like using technology to work more efficiently. Efforts like civilianization and new staffing models can help close the gap. But it won't nearly be enough. San José police officers and firefighters, you routinely demonstrate leadership and commitment to the residents you serve. Tonight, I'm calling on you to do just that. Step up and help us pay for the increased cost of your benefits. I know it isn't easy, but it's time for solutions. I discussed public safety first, because it's our top priority and the biggest part of our general fund budget, but solving our fiscal problems will take a collective effort across the entire organization, because rapidly rising costs affect every department in the city. We didn't get to this situation overnight. The roots of it go back decades. When I was a rookie councilmember, back in November of 2000, the internet boom had been very good to the city. Job growth was at an all-time high. We had over a million jobs in Santa Clara County. Revenues had been going up faster than expenses for years. San José voters approved new taxes to build \$600 million in capital projects, like new community centers, parks, sports fields, libraries, fire stations, and police facilities. The period was dubbed the decade of investment. It appeared that operations for new buildings could be funded out of increased revenues. It appeared we could give our employees big increases in pay and benefits that also would be paid out of new revenues. Unfortunately, the internet boom went bust, and Silicon Valley's job base lost 200,000 workers. Over the last ten years, the city's revenues grew by only 20%. Yet, the average cost per employee went up by almost 80% much of it due to skyrocketing retirement benefits. The net result was our city workforce had to shrink by over 1,000 workers. This graph sums it all up. Revenues were up a little. Costs were up enormously. Now we have

fewer people delivering services to the people of San José than we had ten years ago, even though our population has grown by more than 100,000 residents. A city about the size of Santa Clara. This fiscal history is why I said in my first state of the city address that, "the budget deficit is public enemy number one, an enemy that will steal our hopes and kill our dreams of becoming a great city if we ignore it." Unfortunately, since that state of the city four years ago, the danger from the deficit has grown like a cancer. Our hopes and dreams, our quality of life, the very reasons we choose to make San José our home, are at great risk. Last year, we reduced our workforce by 800 positions, demoted or laid off more than 150 people, including 49 firefighters. Thankfully, a quarter of our workforce, including our senior management and city councilmembers, took a 10% reduction in total compensation, which allowed us to save services and the jobs of many valued employees. Our police officers gave up 4% and saved the jobs of 70 officers for one year. This year it's going to take more. Those who have already given 10% concessions need to make them permanent. Everyone else needs to step up and do the same. This request has nothing to do with the quality of our workforce. San José employees are professional and dedicated. Everyone here heard about the innovation and dedication to delivering high-quality service in the pride of San José presentations. I want to recognize and thank all of our honorees for your great work. And I want to thank the entire city workforce as well. For the past decade, you have delivered great services with less resources as positions were eliminated in your departments, and services to our residents were cut. Now, there are pundits that talk about needing to reduce the size of government. But the truth is, San José has one of the lowest ratios of employees per capita for any big city in the country. Our problem isn't having too many employees. We need more cops on the beat, longer hours at our libraries, more workers battling graffiti and blight, and more firefighters in our stations. The problem is we can't afford them. Over the past decade, we've cut services and eliminated staff, but costs per employee have continued to go up. San José's unfunded liabilities for retirement benefits have grown by billions of dollars. These spiraling cost increases must be stopped. And the first step is to acknowledge the reality of the dangers that we face. As Senator Robert Kennedy said to a crowd of 10,000 people a few blocks from here in St. James Park in 1968, "we can no longer afford to differ on reality. We can no longer afford to deceive ourselves. It is time we face the problems that exist with candor and with truth." How will we do it? That's a question that we must answer collectively and collaboratively, but as mayor I have the responsibility to lead, and I will. [applause]

>> Here's what we will not do while i'm mayor. We will not slide into insolvency. We will not go the way of vallejo and reduce the size of our police and fire departments by 40%. [applause]

>> We will not go the way of pritchard, alabama and stop paying pensions to our retirees. [applause]

>> We will not stand by and watch the city of San José become a city with inadequate police and fire departments, shuttered libraries and closed community centers. [applause]

>> What we will do is implement fiscal reforms to bring costs under control. Now, some of you -- [applause]

>> Yeah, that's worthy of applause. I'll go for that. Some of you may believe that the taxpayers will give us more money. However, until we make significant fiscal reforms to get our runaway costs under control, getting voter approval for additional revenues, the chances for that are slim to none. We have to stop the bleeding before we can ask the voters for a transfusion of new money. Fiscal reform must come first. The people of San José recognize that cutting services to pay for cost increases is a formula for disaster. With the overwhelming approval of measures "v" and "w", the voters have given us a mandate to get control of runaway costs. Now it is up to us, the city council and our 11 bargaining units, to figure out a way save our city from the cancer of cost increases that grows, and grows, and grows. This dangerous growth is being driven by retirement costs. In the past ten years, our annual retirement costs increased by more than \$90 million a year. In the next five years, they will increase by another \$250 million to \$400 million per year. Here's a chart of the increases. If we fail to act now, there will be much more on top of the \$400 million. The ramifications of these increases are stunning. We cannot afford to spend hundreds of millions of dollars more from the general fund just to pay for increases in the cost of retirement benefits. We will soon pay more for retirement than we do for salaries. If we maintain our public safety budget at its current level, we will have to reduce the budgets in every other department by over 50%. That means closing half our libraries and half our community centers. That's unacceptable. It may seem that we are at the mercy of events beyond our control as we are buffeted by wave after wave of cost increases, but we are not helpless. We can beat this fiscal cancer, and save our quality of life, if we have the political will to do so. [applause]

>> We can stop the hyper-growth in costs by making changes for our employees, current employees and retirees. We can stop draining money from services and pouring money into retirement benefits, but everybody has to participate. Everyone has to help. Everyone has to share the pain. I got some criticism last year for not giving more advance notice of the fiscal reforms that the council placed before the voters. Today, i am giving everyone notice of what i believe we need to do now to save our city from fiscal disaster. We need to increase the age for full retirement to match social security, where those who retire earlier receive reduced payment levels. We need to eliminate guaranteed annual increases in pension benefits. We need to eliminate bonus payments to retirees. We need to reduce the accrual rate for pension benefits. We need to increase the share that our employees pay for their benefits. We need to eliminate spiking of benefits by using an average salary to calculate payments. And we need to reform our practices around workers' compensation, disability retirements, sick leave payouts, vacation buybacks, and overtime pay. [applause]

>> All of these fiscal reforms need to be taken to stop the cancer's growth, avert fiscal disaster, and put us on the path to rebuild our police force, fully staff our fire stations, maintain our streets, and keep our libraries and community centers open. [applause]

>> I'm not happy to be up here tonight delivering this message. I am sorry to have to write this unpleasant prescription. But this is our new reality, and no one can be shielded from it. It's time to take our medicine and undergo some painful treatment. Not making these reforms puts everyone at risk -- our residents, our retirees, and our employees. These reforms are not likely to be popular with our unions, who bargained for benefits that were approved by past city councils. But fiscal reforms are strongly supported by our constituents, who put us into office, pay the bills, and are fed up with cuts in services. I have told you what i think needs to be done, but i'm open to alternatives. I hope that our bargaining units will come forward quickly with meaningful and substantive proposals to save our quality of life here in San José. [applause]

>> That's what our residents expect. And that's what we must deliver. Our residents know that we must stop the growing cancer of cost increases that threatens our hopes and dreams. If we don't achieve fiscal reforms through negotiations, the voters will certainly make the changes at the ballot box. [applause]

>> Making these fiscal reforms will allow us to keep our city the wonderful place of hopes and opportunity. The place of hopes and dreams it's been for generations. When paula and i first moved to san josé with our young family in 1977, we were like so many of you, looking for a great place that we could call home. We found a place that is a beacon of peace and prosperity, a place where people from around the world come together and focus on what they have in common rather than their differences, a place with wonderful parks, libraries, community centers, schools, and safe neighborhoods, a place of great opportunity with a great quality of life. [applause]

>> More than 30 years have passed since we first arrived in san josé. Our kids are grown, and paula and i are very happy to be grandparents. But i still remember what we wanted for our family all those years ago. As i meet the schoolchildren who come to city hall on field trips and talk to their parents in the community, i become even more determined that they may have the wonderful opportunities that San José has provided to all of us. It is our collective duty to preserve San José's opportunities and quality of life for future generations. I will do whatever it takes to protect our city. [applause][cheers and applause]

>> And i ask each of you, please join me, together we will save San José's opportunities and quality of life for all of us. You, me, our neighbors, our friends, our children and our grandchildren. Thank you. [applause]

>> Thank you. I give it back to you.

>> You work that prompter better than i do.

>> I think next year we'll have the mayor emcee and give the state of the city address. He's good. He's good.

>> And we'll bring bacon.

>> No.

>> I miss it with the breakfast thing being gone. Anyway, hey, lissa, thanks for great fun tonight. It's great working with you. We're tired of each other. We've been with each other since 5:00 this morning.

>> We've been together 5:00 to 9:00, then we went to lunch. Here we are again. You guys have been a fabulous audience.

>> Thank you all for your kind attention tonight.

>> We want to -- [applause]

>> Thank you. We want to thank the entire behind the scenes team that's been getting us all here tonight.

>> Yeah, they did a great job.

>> Several departments worked together to make this event happen.

>> We have some great veterans to play for you again too. Want to congratulate everyone for another great effort on the state of the city address.

>> And again, thank you all for being such a gracious audience. Thank you, sam. We'll see you at 5:00 in the morning.

>> See you in the morning on 94.5 kbay.

>> By the way --

>> Go out and have dinner downtown.

>> Bundle up, it's like tahoe out there. You have the gift certificate in the back of your program, and yes, 94.5
kbay, sam and lissa tomorrow morning. We'll see you there. Thank you, everybody in San José. [applause]\m\m