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>> Mayor Reed: Good morning, we have a quorum. As I understand it there's no labor update and there's no one here to speak so we'll adjourn into closed session, back here at 1:30.

>> Mayor Reed: (gavel strike) Good afternoon. I'd like to call the San José city council meeting to order for June 12, 2012. We'll start the meeting with an invocation, Councilmember Oliverio will introduce the invocator.

>> Councilmember Oliverio: Thank you, Mayor Reed and city council. I'd bring forward rabbi Menachem Levine from congregation Am Echad in San José, been in Willow Glen for 42 years, and the rabbi has joined our lovely city five years now, and rabbi.

>> Thank you to honorable Mayor Reed, the city council, and in particular to my esteemed councilmember, Pierluigi Oliverio, for inviting me to address you today. The book of Genesis that the patriarch Jacob gave a blessing to the king of Egypt but did not say what the blessing was. The ancient rabbis had a tradition that the blessing was this. May all the people you served be blessed with prosperity, and may they come to see that your leadership is a source of that prosperity. Apparently even 3500 years ago, it was essential for leaders to have a balanced budget, provide jobs, and create a good economy. Without a doubt, last week's elections illustrated that this continues to be people's expectations of a good leader. In my humble opinion, however, I would say that what is truly the greatest blessing if the mayor and the city council can endow this great city with, is to be leaders in the fullest meaning of the word. To be leaders. What does it mean to be a leader? When Moses requested of God regarding the leader who would replace him, his description was an unusual one. He described a leader as one who will go out before them and will bring them out and bring them in. What is the meaning of this description? What attribute is Moses emphasizing that is so crucial to leadership? Jewish tradition teaches us that these three phrases are interconnected. A leader brings his people out, and he brings them in. How does he do this? The answer is in the phrase, he will go before them. The leader will go before each of them, and will serve as a role model for the people. He will provide an example for the public to emulate, through that he will empower his people to go out and do. That is a true leader. The 6th president of the United States of America, John Quincy Adams wrote in his personal diaries that if your actions inspire others, to dream more, learn more, do more, and become more, you are a leader. What are the actions that will inspire others? What values do you, our elected officials, need to exemplify to be true leaders? For one, to be a leader and a role model it must be realized that intellect, ethics and morality are part of inseparable hold. Being a public official is not a compartmentalized enterprise where declarations can be contradicted by personal conduct. True leadership requires to you lead an

upright and ethical lifestyle. You must exemplify integrity and true decency. True intellectuals are human beings and it is unfair to expect perfection. And yet the aspiration and true responsibility must be present. A second characteristic of good leadership is you must know your own minds, you must be able to forcefully advocate and stand up for your views and yet, good leadership also requires you to surround yourself with people of diverse opinions who can respectfully disagree without fear of retaliation. As public officials, you must remember that, after all is said and done, all of us in this room, and in this wonderful City of San José, we are all on the same team. And we need to display that recognition and set the example for our constituents. May you, honorable mayor and city council members be blessed with the wisdom, desire, and ability to serve and lead successfully, may you be blessed with the moral character and exemplary declaration that will merely create followers but also inspire more leaders to follow in your paths. May the almighty bless you with the capacity to make intelligent decisions, difficult though they may be, and may all the other blessings follow and let us say amen, I thank you for inviting me, I thank you for listening.

>> Mayor Reed: Thank you, rabbi. We will next have the pledge of allegiance, and today we are joined by Easterbrook discovery school from District 1 who will help us with the pledge. Please stand. [pledge of allegiance]

>> Mayor Reed: First items are orders of the day. Please note we're taking some things out of usual order because we need to get the budget approved before we do some other things, so we're taking items 3.3, 4, 5 and 6, immediately after the ceremonials, before the consent calendar. I have one request to make a change from the printed agenda, and that's to defer item 4.4, rezoning of property at Dixon landing road to August 7th. There any other changes to the printed agenda? (inaudible) motion is to approve orders of the day. All in favor, opposed, none opposed, orders are approved. Please note that we will be adjourning this meeting in memory of Ismael Vic Zavala. A local entrepreneur, philanthropist and community leader who passed away on May 6th, at the age of 79. Councilmember Campos has some comments.

>> Councilmember Campos: Thank you, mayor. And good afternoon. Ismael Vic Zavala was born in Castroville, California on December 6th, 1932, and passed away surrounded by his friends and family on May 6th, 2012. It

was in Castroville where Vic became the family head of household by the age of 15. Vic labored in canneries, agricultural fields, restaurants and many other businesses to help support his mother, four sisters, and two younger brothers. Vic's determination never escaped him. In 1952 he was hired by cardinal roofing company as a roofing apprentice. Here, he learned his trade extremely well, and became a journeyman roofer and in no time a foreman. His entrepreneurial knowledge told him that he could successfully own and operate his own business, which he eventually did, and established Zavala roofing company in 1973. After his retirement from the roofing industry in 1987, Vic established Zavala hillview mini storage, which his family operates to this day. Vic was recognized throughout his life for the great work in his career, and the community. He was given the 1998 Hispanic man of the year award by the San José Silicon Valley chamber of commerce. The Mexican American community services agency honored Vic with his conclusion of him in the 2009 50 most influential Latino award, and in 2009 Telemundo gave Vic its Hispanic business salute award. It is without question, Vic lived a full and rich life. Vic is survived by his wife Margaret, three daughters, Alice, Liz and Norma, and one son, Ismael, Junior, along with 14 grandchildren, three great grandchildren, and his nephew Vidal Carrillo, also joins us here today. I want to thank the family for being with us here today. Vic will truly be missed I know not only by the family but by the entire community. Thank you.

>> Mayor Reed: Thank you, Councilmember Campos. Next we have the closed session report, City Attorney.

>> City Attorney Doyle: Mayor, council met in closed session, there is not any report.

>> Mayor Reed: I'll begin the ceremonial items. I'll invite Councilmember Constant, And Mayor Yung and the Suwon city Delegation to join me at the podium. Today we're proclaiming Suwan city day in the City of San José. I'm going to let Councilmember Constant talk about that relationship with Suwon city and the relationship to San José, and then we'll hear from the mayor.

>> Councilmember Constant: Thank you, mayor. It's my honor to host mayor Yon Te Yung from Suwon city Korea. With him today are a number of his team from Suwon city. We have the manager of the international relations team, the policy secretary for the mayor, the officer of Suwon center for international cooperation, the

director general of transportation safety bureau, the director of economic policy division, both the manager and an officer of the company support division, the manager of urban planning division, and the officer of public development division. I had the opportunity last October to visit Suwon city, as a guest of mayor Yung, and participate in their annual cultural festival. I learned a lot about the history and culture of both South Korea and Suwon city. I learned much more, though. I learned how much our cities have in common. Suwon city has a population of approximately 1.1 million and we here in San José have a population of approximately a million. We are both the technology centers for our countries. Suwon City is the home to Samsung electronics world headquarters and San José is the home of Samsung's headquarters for the United States. They are huge fans of soccer and soccer's been quite a discussion topic here in San José lately. They are home to the Samsung Suwon blue wings and we have our wonderful earthquakes. They have also an incredible vision for environmental sustainability, much like we have in San José. And on a personal level, they have great barbecue and you know how much I love barbecue. We are fortunate that mayor Yom had an opportunity to take a brief stop on his travels to Brazil where he's going to be going to the U.N. conference on sustainability. We have taken trips both my trip to Korea and his trip here, to learn about our cities and how much we have in common. So mayor, welcome to the City of San José and we're very proud to proclaim this 12th day of June as Suwon city day in the City of San José. [applause]

>> Thank you. [In Korean]

>> I would like to extend my deepest appreciation to San José councilmembers for welcoming me and my delegation today. I'm pleased to meet Mayor Reed and all ten councilmembers today, including councilmember Pete Constant. You are leading the City of San José. [In Korean] I was delighted and surprised that today is the day of Suwon, the San José claims and if I knew earlier I could have brought cultural performance team to show you the cultural aspect of Suwon city. [Korean]

>> The City of San José and the City of Suwon are of similar population and have similar industries. I'm convinced the two cities can mutually benefit each other through cooperation. Today I met Mayor Reed and Councilmember Constant and talked about how we can bring changes between the two cities in economy,

education and youth. I hope the discussion will advance soon, in working level consultations. I'm asking for your support in this matter.

>> Suwon holds cultural festival every October to celebrate the fortress which is designated as a world heritage site by Unesco. If your time permits, please visit our City Suwon, and enjoy the festival. If you do, we will also announce a day San José. [In Korean] once again I appreciate your warm welcome. I wish all the councilmembers and citizens of San José prosperity and thank you.

>> Thank you very much. [applause]

>> Mayor Reed: Like to invite Councilmember Herrera and elder Faiese to the podium. Today we are commending elder Faiese for his courageous actions in rescuing a man from drowning at Lake Cunningham regional park. It's okay if you want to bring a cheering section. If there are other people who want to join you up here. Come join us.

>> Councilmember Herrera: I think there were some other members from the LDS church who were going to join us. Please come on down. Okay. I want to thank you Mayor Reed and I want to welcome elder Etima me Faiese here today and the members of the LDS church who are in the audience and also our staff from Lake Cunningham regional park, the park ranger staff that is probably here too and specialist William and Sydney price who may be here. Today we are here to recognize elder Faiese, a district 8 resident, for exemplifying the characteristics of a model citizen and the qualities of a true hero. On Friday, May 18th, 2012, Elder Faiese demonstrated heroic measures in our community. On that day it started just like any other. Like so many others. Elder Faiese and his fellow companion were participating in just serve, a volunteer program at lake Cunningham regional park, where they were scheduled to dedicate several hours conducting community service and park beautification. When Elder Faiese selflessly and courageously came to the aid of a very frightened drowning man at lake Cunningham. He had just arrived on site to start his day of service when he heard a man's feeble scream for help coming from the lake. He noticed the man was in the water waiving his arms frantically. He took immediate action to swim to the man, but when he approached him, elder Faiese saw the terror in his eyes,

and his mouth filled with water. Then the man suddenly jumped on Faiese's back and held tightly around his neck. Elder Faiese was in trouble, he couldn't swim with the man on his back, and he couldn't communicate with him. But he remained calm. He remembered his lessons from scouting years ago in his childhood, as he tugged to get him off his back, and then pulled him under his left arm, safely swimming back to shore with his right. When he saw that the man was not breathing, he implemented yet another scouting lesson as he turned the man on his side and the water came gushing out of his mouth. The Lake Cunningham park staff and park rangers quickly responded and cared for the man. We are happy to report that the victim is in good condition and was shortly released from medical care. Elder Faiese risked his own safety and thanks to his efforts he prevented this man from drowning while he insists this was not an act of heroism which most heroes do, claiming any good citizen would have done the same for anything else, he credits his actions on the fact that he was on a mission to serve his community at Lake Cunningham that put him at the right place, at the right team with the skills he needed. Today our community thanks you elder Faiese along with the lake Cunningham park rangers and staff, if any of them would you please stand, park rangers, please stand. [applause]

>> Councilmember Herrera: Thank you for assisting with saving a man's life. Your dedication and commitment and your allegiance to the well-being of San José and now I invite to present the commendation to elder Faiese and then he will have a few words. [applause]

>> Mayor, Chuck Reed, councilmember Rose Herrera, members of the city council. And ladies and gentlemen, Talofa! Whatever, thank you, thank you, thank you for this commendation. This is something I never expected when I came to America. My family and friends, here and in Samoa, especially my mother, are happy that you are honoring me today. As you know, I am an elder in the church of Jesus Christ of Latter Day Saints. I came to California to serve a two-year mission and share the gospel. We believe that we are all brothers and sisters and we have a father in heaven who loves each one of us very much. Here in San José, we missionaries do a lot of community service, because of a new program called "just serve." On May 18th I was at lake Cunningham with my companion elder James Mong from Benson, Utah and two others. We had been working hard for over two hours, and we are almost finished. As I went to fill the leaf blower with gas I noticed Mr. Tran, standing there all alone. When I returned I couldn't see him. Heavenly father let me know that something was wrong. I prayed and

the holy spirit helped me to see him out in the lake. I was worried, because of the mission rule about not going swimming. Then I feel the spirit telling me to save this man. Who is my brother. Even though I never met him before. At one point, I was afraid I was going to drown. Then I was grateful, thankful for all the things I learned in scouting. After the ambulance took the man away I went home and changed, and we went to another service project. I was happy. I had been able to save his life. I didn't expect the publicity and recognition. As we learn in the Bible, we all need to love and serve each other. This experience has changed my life and helped me to grow spiritually. This commendation will always remind me of the plannings I received that day. And thank you, thank you, thank you again. [applause]

>> Mayor Reed: Next I'd like to invite Councilmember Chu, Saira La LANi and Yennie shyu to join me at the podium, as we commend these young people who placed first place in art at the Asian Pacific fund's growing up Asian in America annual art and essay contest.

>> Councilmember Chu: The parents can come down. Two district 4 winners, growing up Asian in America, art and essay contest. Saira La LANi a fourth grader, or a third grader, going on fourth grader, a third grader at Noble Elementary placed third for her essay entry, and Yennie shyu a sophomore at Piedmont Hill High School, placed first for her art entry. Growing up Asian in America is the Asian Pacific fund's signature program established in 1995. Around 1400 Bay Area students from kindergarten through 12th grade submit artwork, essay or poem on the specific theme, and compete for \$27,000 in prize every year. Special exhibit displaying their winning artwork and essay go on tour during Asian Pacific heritage month which is in May and they are hosted throughout the year by more than 50 public libraries all over the Bay Area. For the last five weeks, I have the honor to host the exhibit at City Hall located on the first floor of the tower. With the Golden Gate Bridge celebrating its 75th anniversary in 2012, students were asked to reflect on their bridges in their lives, whether real, physical or symbolic bridges, in their lives that connect important parts of their lives. Or help them cross through challenging personal journeys. Saira's winning essay explored her unique culture and life in America and how grateful she is to visit and learn about her family heritage background and home country of Pakistan. Yennie's winning art pieces depicted the link between individuals and their cultural backgrounds which conveyed that we are all unique but connected as one. Here today we recognize two students who have shared their experience as young Asian

Americans through their writing and art. I would like to ask the mayor to present a commendation to Saira La LANi and Yennie shyu for their achievements that have inspired our community and the entire Bay Area. Thank you. Either one of you want to say something? [applause]

>> After every year I participate in the growing up Asian America contest. I always walk away with an inspiring experience and a new look on my role as an Asian American. This meanings. And so by knowing bridging friendships bring bridging unity different backgrounds we can all come together and be United. I would like to thank Mayor Reed, Kansan Chu and the entire city council for all the encouragement you have given me and I hope to continue to share my passion of -- for art with everyone. Thank you.

>> Councilmember Chu: So the audience can see you, take your time.

>> I would like to thank my class teacher, Ms. Nguyen, for encouraging me to enter the essay contest and my parents for supporting me in whatever I do. I hope to continue making my school, noble elementary, power entry, thank you everyone .

>> Mayor Reed: Next I'd like to invite Vice Mayor Nguyen and Lloyd La Cuesta. Lloyd La Cuesta, are you here? Yes you are, come on down Lloyd. Going to commend Lloyd for 43 years of quality journalism and service to the community. Everybody knows the details but Vice Mayor Nguyen is going to provide them. [applause]

>> Vice Mayor Nguyen: Thank you, mayor Reed, with more than 40 years in broadcast journal, 35 of those years on our Bay Area TV screens, San José's own reporter and news anchor Lloyd La Cuesta asks retiring from channel 2 news. I want to take this opportunity to thank him for quality reporting and service to our community. Lloyd's illustrious career has taken moments in American history. His most memorable news coverage included the first landing of the Patty at Edwards Air Force Base, his travels to the Philippines to cover the Aquino and coverage of the trip of three fathers to Vietnam in search of their ameurasian children left behind. awards of from the peninsula press club. Lloyd's life reporting was integral to the KTVU national news for in 2004. He was also included -- I'm sorry He was also inducted into the national academy of television arts and

science, silver circle in 2004 for his many years of outstanding Bay Area reporting. Lloyd also served in seven important roles behind the camera. He was the past president of the Asian American journalists association which he was also a recipient of its lifetime achievement award, he organized the first national conventions of America's Asian, black, Hispanic and native American journalists. His career also included Services in the armed forces as a military broadcast journalist for the armed forces network. Lloyd served as a director for the Asian American journalist association study tours program. You sure you want to retire? It's a long list. It's going to be strange for all of us to watch KTVU without Lloyd's familiar face and voice. Lloyd's stories have touched and changed many lives. I want to wish him a great retirement and once again thank him for his many years of service to our community. At this time I'd like to ask Mayor Reed to present a commendation to Lloyd La Cuesta. Thank you.

>> Thank you very much. You know I was told I only have two minutes. I think that introduction took up about three minutes right there so I appreciate that. Also my producers reminded me that two minutes is a great time because they don't give me two minutes for the stories I do every night. I am very, very humbled and honored by this commendation today. I know that some out there may look a little askance when they say, politicians giving a journalist an award? For full disclosure I want you to know I have not donated to a single member on this board in their campaign and also I'm actually not a resident of the great City of San José. However, I've spent the major portion of my career covering the events, issues and people in this community. I am historically linked to the San José city council from way back in 1968. When as a journalism student in San José State I interviewed a young councilmember on a story I was doing. That man was Norm Mineta. Since then I've gone on to cover numerous San José city council meetings and watched the administration of five mayors in this city with Mayor Chuck Reed being the person that I will retire on about through the good and bad I have been chronicling the city council and I think that no one would want it any differently. We are both doing the public's business. They set policy and legislate. I serve as the watchdog to inform the public of what they are doing. So despite having to sit through endless city council meetings, hopefully, the long standing tradition of journalism and politics continues to the best of both of our abilities. I want to thank my station, KTVU and some of the management team is here today. For actually allowing me to go out there and cover the news of the day and actually stories that have changed people's lives. In also honoring me you honor some of the people that you don't see every night on television. The

people behind the face. And while I can't mention them all I do have to recognize my wife, Mona Lisa Uchenco is here. And -- [applause]

>> To show you how astute this woman is, she does not use my last name. She uses her own name so no one will recognize that she's my wife. People are asking me what do I do in retirement? Well, Lisa and I have four grandchildren and we're going to enjoy watching them grow up. And we also know that there are a lot of places in the world that we have yet to see. So really, I thank you very much, it has been an honor and a privilege for me to have served in my own way, the people of San José. Thank you very much. [applause]

>> Mayor Reed: Like to invite Councilmember Oliverio and members from presentation high school at the podium as we recognize presentation high school for its 50th anniversary. Councilmember Oliverio has some of the details.

>> Councilmember Oliverio: Thank you, mayor Reed. Councilmembers I wanted to have our mayor acknowledge that presentation high school located in Willow Glen has been operating for 50 years providing opportunity for young women to achieve an excellent academic education and as we go through the budget and we realize we can't have the possibility of doing everything our residents may want or desire us to do we realize a school like presentation has provided a tremendous amount of philanthropy to San José through the students the alumni and the parent network that has done so much in social services through sacred heart and other organizations and also presentation has also been there to open up their school providing access to their pool for the neighborhood, for example. So with that said, mayor, I wanted to have you acknowledge presentation and have Mary Miller say a few words. [applause]

>> Thank you very much. Mayor Reed and members of the city council, for inviting us here today. On behalf of the sisters of the presentation, the faculty and staff, alumni, parents and students, I would like to express my sincere gratitude for this commendation. I consider this a tremendous tribute to our high school. As we begin what will be our 50th year of providing quality education for young women in the Santa Clara Valley. In particular, I would like to thank Pierluigi, for his incredible support over the years. You have been much more than our district

representative. You have been a friend, a faithful attendee at our events, a valued mentor as we have navigated building projects through the city. I also want to single out his assistant Danell Fidore for her consistent help and wisdom. [applause]

>> Presentation is a Catholic college preparatory school that seeks to give young women a vision for life and an education to help them live it well. To be independent thinkers, to make a difference in their society, their parish, their workplace, their family. To be compassionate faith-filled women who are equipped to be leaders. Our motto is not words but deeds. And we work tirelessly to live the spirit of that motto. We teach our students the importance of giving back to the community. And we're very proud of our long standing commitment to sacred heart community service. Students contribute on average \$100,000 annually through our food drive efforts raising money, toys and food. We could not do this without the support of our neighbors in Willow Glen. And would I like to publicly thank them -- I would like to publicly thank them as well. In 50 years presentation has gone from a little known school on plumber avenue to a well-known educational entity in the valley. This year we made a little history by bringing our first state championship in volleyball at home. We also produced and directed the first high school performance of phantom of the opera, a huge award winning success. Right now we are engaged in our summer aquatics program at Pres and in the next two months we will have completed more than 1,000 swim lessons not only helping children in the community to be water safe but offering them a safe place in their neighborhood to engage in healthy activities during summer months. I mention these specific things to underscore the great things that can happen when schools and cities partner together. The improvements to our campus that have allowed our athletics, performing arts, community outreach programs, to expand and flourish could not have happened without the support of the City of San José. I believe we are solid partners, and I thank you for all you have done for presentation, these last 50 years, and in particular, for this commendation today. Thank you. [applause]

>> Mayor Reed: We're now going to take up the budget related items that we need to do before we get started with the consent calendar and other actions on this agenda. We will start with item 3.3, the library parcel tax rates for 2012-13. We have a motion to approve the rates. I have one request from the public to speak, we'll take that now, Mr. Wall.

>> Good afternoon. I oppose this 3% over the fiscal year appropriation. I have long since requested that you reformulate parcel taxes to include every living unit in San José. This would raise an enormous amount of money at not much burden to the individual taxpayer. We've seen from the Planning Commission interviews the other day, and with other commentaries, that the single family house as most of us know it is now basically obsolete. But yet, single family homes are having to pay more and more of a burden to these parcel taxes than these high-density living projects. Whereas, I support the libraries, I do not support the continuation of these parcel taxes with reference to the mission of the libraries, unprecedented spending for all sorts of materials that, in my opinion, go beyond the scope of libraries and their operations. It is unfortunate that this has gotten to this point, but this is basically a cost of living increase for the libraries that you've denied your city employees. Thank you.

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

>> Councilmember Herrera: Thank you, mayor. And thank you, Julia. As we all know, despite the Internet and video games the library continues to serve as the most important gathering place for residents in our community. These are places where people gather to read, hold stories, take meetings and take classes every generation in our libraries. We are still in the federal act recovery our residents are so I just want to confirm the need for this proposed increase. Can you list the main things that this parcel tax pays for?

>> Debra Figone: The parcel tax and I'm not sure, as you know we're being served by an interim director of library. The parcel tax does not serve the full fund, councilmember it is a limited part of the funding stream and Jennifer Maguire I think can give you an idea of what it goes to support.

>> Jennifer Maguire: Good afternoon, Jennifer Maguire budget director. For the proposed budget for 12-13 about \$3.9 million of it goes to staff help mostly I think it's part time staff to help with the branch libraries. We have about another \$2 million that goes for acquisition of materials. About another \$1 million for automate projects and

we have been saving money out of this fund for the millennium online circulation replacement so it's for a big capital replacement so those are the main expenditures out of this fund.

>> Councilmember Herrera: And I want to thank you for the chart on page increased in the consumer price index? And also confirm that this year's is tracking with this CPI.

>> Hi, honorable mayor and city council, Arn Andrews acting assistant director of finance. Yes, that's correct, it always tracks to the CPI and this year as in past years is going to be at the level of 3%. Which brings us on a household basis of approximately 28.28 to about 29.13 per parcel.

>> Councilmember Herrera: And that's within our ability, based on the library parcel tax which took effect in July 1st, 2005?

>> Correct. And the 3% is the maximum allowable under the ordinance.

>> Councilmember Herrera: So if we didn't move today to adjust the rate to reflect our CPI increase, our libraries, what would happen with our libraries, would we lose some funding? What would be the outcome of that?

>> Jennifer Maguire: There would be less fund balance in the library parcel tax fund. We are trying to wisely use that fund as it is an augmentation to our library budget which is you know solely funded by the General Fund. So over time obviously this fund, this taxes will be subject to a renewal I think in 2014 and we're trying to stretch in the event in case it doesn't pass by the voters, in the event we would need to wisely use this money and stretch it out as long as possible to not have a big service hit in the libraries.

>> Councilmember Herrera: And so we could -- owe see a cut if we could we see a cut in library service if we don't approve?

>> Jennifer Maguire: Not immediately but there will be less funds in the future for this fund that will be needed in the future years.

>> Councilmember Herrera: Okay, thank you. I'll be supporting the item today. I think it's a responsible thing to do and we are not exceeding the CPI, we have seen support from the community over and over and actually a desire for us to increase those services. Thank you.

>> Mayor Reed: We have a motion to approve item 3.3. On that motion all in favor, opposed, none opposed, motion is approved. Item 3.4, municipal water system water rate increases for 2012 and 13.

>> Debra Figone: There is no presentation. Staff is here to answer questions.

>> Mayor Reed: I have no cards from the public to speak on this matter. Councilmember Kalra.

>> Councilmember Kalra: Make a motion to approve the memorandum signed by yourself mayor as well as four other cosigners.

>> Mayor Reed: All right we have a motion to approve the rate increases subject to the recommendations in the memorandum referred to by Councilmember Kalra. Discussion on that, Councilmember Herrera.

>> Councilmember Herrera: Did you want to speak to --

>> Mayor Reed: I'm sorry, City Clerk.

>> Dennis Hawkins: Yes, Mr. Mayor I have to provide some information to the council before its action. I can do it now or subsequent after if discussion.

>> Mayor Reed: Why don't you do that.

>> Dennis Hawkins: Supplemental city Clerk's office has seen valid written protests representing five additional customers. The are valid protesters is 28 for the proposed municipal water received during the public protest period represents less than one half of 1% of all customers impacted by the change in water retail rates.

>> Mayor Reed: All right, Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. And thank you Kerrie. Muni water supplies water to all of District 8 and provides water to districts 2, 4 and 7, is that correct? And I said 8, 2, 4 and 7, I guess Kerrie is coming down.

>> Ed Shikada: Councilmember I think it might be helpful if you could repeat that question.

>> Councilmember Herrera: Yeah, I'm just confirming Muni water, which districts they supply. That's District 8, District 2, 4 and 7, is that correct?

>> Jeff Provenzano acting assistant manager, that's correct .

>> Councilmember Herrera: I along with other colleagues did not agree with the idea of selling Muni water in the past which was brought up as a budget balancing strategy at one point because I think it's very important that we maintenance this asset both because I think water is a very critical resource, our Muni water's well managed, it is an asset for our city and I'm very happy that we still have Muni water providing water for these districts. I do have some questions and concerns about the causes of the water rate increases facing our residents. So if I could just ask a few questions to put these rate increases into context. As we know, Muni water rates have increased several times over time and can I ask your assistance in placing these increases in context over the last few years and what mainly are we, why are we seeing these increases?

>> Sure, the main reason for the increase by our wholesalers is because they are investing in changes improvements .

>> Councilmember Herrera: You are passing this increase on?

>> That's correct.

>> Councilmember Herrera: I don't know if I can ask this of you or somebody. What's been the agreement of these rate increases over the past, has this been a controversy item where we've seen a divided council or has this been pretty much unanimous?

>> It's been pretty much unanimous.

>> Councilmember Herrera: Okay, I think we talked about why we are having these increases. Does this apply to both our water increase is that also the reason why we are seeing recycled water rates go up as well?

>> For us it's one series of rates. They are tied together potable rates are going up that's what I'm trying to understand.

>> Kerrie Romanow: Kerrie Romanow acting director, environmental services. Yes, Councilmember Herrera, the cost of recycled water has gone up. As you know the cost that the water pollution control plant bears to treat and deliver recycled water is not 100% cost recovery so we have a sliding scale that moves up and it moves up with the discounted rate of potable water. So as Muni needs to recover their cost to deliver the water, both rates go up. This particular budget increase is related solely to the cost of wholesale water.

>> Councilmember Herrera: Okay, and how does Muni water compare to other agencies supplying water to our area?

>> We are on the low end of the scale for Bay Area agencies retail water especially in the South Bay.

>> Councilmember Herrera: And if we didn't raise rates today what would be our alternative? What would we do if we didn't raise the rates? What would we do?

>> Kerrie Romanow: We believe that maintaining the infrastructure for Muni water to deliver reliable, safe potable water is a primary concern and we don't believe scaling back on any of our infrastructure maintenance would make sense. And we are already a very lean organization. Our rates are significantly lower than San José water, and we don't have any options to offset the cost other than to curtail services.

>> Councilmember Herrera: How much lower are we than San José water since you brought it up?

>> It is approximately 34%.

>> Councilmember Herrera: Okay.

>> Kerrie Romanow: So --

>> Councilmember Herrera: Go ahead.

>> Kerrie Romanow: So a tip 14.7% increase goes through and a typical Muni water customer rate would be \$50.44.

>> Councilmember Herrera: And haven't I heard that there's a pending rate increase from San José water?

>> Kerrie Romanow: There is.

>> Councilmember Herrera: And what is that increase?

>> Kerrie Romanow: San José water is proposing a.

>> Councilmember Herrera: I thought there was an even larger increase maybe I'm wrong about that.

>> Their proposal is a 44% over a three year period.

>> Councilmember Herrera: 44% for a three year period. Could the General Fund be tapped, is that a risk at all if we didn't approve this ?

>> Jennifer Maguire: I don't think it would be an immediate risk but it would be to the extent we didn't have money in that fund and there was a major failure then the General Fund would likely have to be the only back stop.

>> Councilmember Herrera: Back stop for that, right? And then if that were the case then other services could be affected like police and other services that the General Fund pays for, is that right?

>> Jennifer Maguire: At a would be correct.

>> Councilmember Herrera: So doesn't sound like it's too responsible for us not to pass on the cost that we need to maintain infrastructure, knowing if we didn't we could put ourselves in jeopardy of actually having to cut services somewhere else, if something had to happen where we would need to maintain or do something to the infrastructure piece of Muni water?

>> Jennifer Maguire: Yes, would I agree with that so that's why the administration's practice which has been our practice for the last several years.

>> Councilmember Herrera: Great. I appreciate we put out a memo along with my colleagues to make sure that we get'ss to these questions because again, just like when we talk about the library parcel tax I think residents have a right to know, to understand why we are looking at these increases and I really appreciate your answers and of course I will be supporting the motion on the floor.

>> Mayor Reed: We do have a motion on the floor. On that motion, all in favor, opposed, none opposed, motion is approved. Next item is 3.5, that's the mayor's 2012 June budget message. We had a hearing last night, took public testimony, we continued that hearing to today. We'll have some additional testimony of people who didn't get a chance to speak last night. We'll get to that in a minute. After a decade of ongoing deficits, we're finally looking at a year where we have a very small cushion but nevertheless a positive cushion that will help us avoid service cuts this year. And slowly begin the process of restoring services. But we know we only have a one year reprieve because we're facing a \$22 million gap in 2013-14. So we're being very cautious and the continually has given direction to the manager back in March with the March budget message to reflect the fact that it's only a one year reappreciative and we have serious issues going into the following fiscal year. Since council gave direction in March and in fact since my budget message in June was published we have increasing belong to the bond holders, even though we have no obligation to pay those bond holders, it could negatively impact our budget, General Fund and others. The retirement boards have reported so far not very good investment returns. Cal PERS reported 4.8% negative for the year through June 8th and that's probably additional reason for the retirement boards to reduce their investment rate of return assumptions. If they reduce it by another quarter of a point like they did last year that would be another \$20 million increase, most of that would have hit the General Fund. So we're being cautious and we have to worry about all those things and monitor it along the way. But we are much better off than we were a year ago when we were facing \$100 million gap that we were having to close actually \$115 million gap. But that's why we're being cautious and being restrained and restoration of services even though we would all like to restore services quickly and a lot more services we don't have the funds to do that. Councilmembers have issued more than 50 budget requests, for many millions of dollars. The budget message reflects many of the budget documents that councilmembers suggested with the modifications to the manager's proposed budget. But there were some memoranda that were recently issued by councilmembers this week that I want to comment on before we get into discussion of the message. First, Councilmember Chu asked

for \$5,000 to be allocated for the bears business district. We have funding in the methodic for the neighborhood business -- message for the nine business districts NBDs were funded over primarily Councilmember Constant's rollover funds at the end of the year. We thank Councilmember Constant for giving that up. I don't recommend additional funding however Councilmember Chu has 67,000 of rollover that could be used to support the Berryessa business district. Councilmember Chu also requested \$50,000 to be allocated to the art box project. Again, I don't support allocating additional funding for that. This program is eligible and could certainly be supported through grant process with the HP grants and the cap grants. Which we're rolling over \$90,000 in the cap grant program which there would be money there and there's money allocated every year for the HP grants. So there's sufficient funding for any council district that wants to support those. And we had several requests from councilmembers to do things like increase the library hours and add back positions. And those are ongoing costs that we have to be very cautious about since we don't have a lot of funding. First Councilmember Pyle's recommending shifting funding to pay for the smart start family childcare. That's something I think we ought to take up at mid year after we have the chance for the staff to work with our partners. Because our objective should be like we did similar to the senior nutrition program, come up with an ongoing funding strategy with our partners so I think we just wait on that and see how that staff work goes with our partners and decide whether or not we're going to continue to have any funding for it. We could do that at mid year. The other request from councilmembers to add back positions and to prioritize adding of positions when we have funds, I think are interesting, except we don't have money, that's a little bit premature to begin doing that. We have a lot of uncertainties as I mentioned earlier but yet we do have some ground for opt optimism budget safes are much better and I would like to amend my June budget message on pages 5 and 6 to add the following direction to the staff that will get to this prioritization issue. And that is, we should direct the City Manager to bring back to the council on August 7th a recommended priority list of services to be restored as funding allows over the next few years. For the council to consider and approve prior to the deliberations on the potential sales tax measure which is likely to be on that agenda. And service restorations that were previously approved by the council in the fiscal reform plan last year which we show it on a message on page 6 should be the starting place for the staff recommendations. In addition, the budget message should be amended to include managers budget addendum number 37, recommends net zero revisions to a few General Fund revenue estimates and certain technical martha gardens as the source of funds, and on the use of funds we need to revise the decrease of the ending

fund balance from \$500,000 to \$200,000. That's the storm sewer capital fund. In the storm sewer operating fund for use of funds we need to revise the transfer from the capital fund from 300,000 to 600,000 and decrease the ending balance from 312,712 to 612,712. So that all works out as no change in the total funds, just the source and uses are corrected. And with that I would recommend the council approve my budget message. We do have some requests from the public to speak. We'll get to that testimony in a moment. Vice Mayor Nguyen.

>> Vice Mayor Nguyen: Thank you, mayor Reed. I just wanted to start out by thanking you again for your budget mental. Obviously this is very important like you said, we have a small cushion for next year. Which is equivalent to 1% of the General Fund which is not a lot to work with but at the same time I think we should also move forward cautiously. Because if you are looking forward beyond 2012-2013, you're looking at 2013-2014, we are looking as a potential deficit of \$22 million. I want to caution us to move forward cautiously. This budget message to me really revolve around the city wanting to provide or maintain the quality of life for its residents. I wanted to thank the mayor for funding for very important programs and services such as the homeless encampment communications Hill Curtner and 87 overpass which resulted in really positive feedback from the residents out there. And we will continue to do this throughout the summer which hopefully finishing up with 16 sites from now until probably June of next year. Also, last night we heard from several residents about the importance of the new park development projects for a lot of these residents, parks that are equivalent to one acre or next or smaller are really important because they really revitalize the neighborhood and keeping our neighborhoods in our community very clean. So I want to thank the mayor for that. Programs and services such as the seniors services and transportation are also very critical and you know we also heard from the seniors last night, how important it is that we continue to provide senior transportation for the senior population. That's in the budget and I think my colleagues will probably speak to that. And then finally, one of the things we always talk about wanting to maintain our City's own facilities in terms of the wear and tear over the years, the San José municipal stadium which is located in our district, regardless what we think about athletics coming to San José which is very to make sure that we keep the stadium safe for fans and folks that actually use this stadium throughout the year. So I -- again I wanted to thank the mayor for keeping that in mind and providing a little bit of funding for the stadium. So with that said, I'd like to make a motion to approve the mayor's June budget message for fiscal year 2012-2013 with the hair mayor's amendments he articulated earlier. Thank you very much.

>> Mayor Reed: All right we have a motion on the floor. Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I would like to also include a recommendation to -- and thank you for offering to include a recommendation to conduct additional polling for a sales tax measure in July and to bring a resolution to place the tax measure on the November ballot for city council consideration at the August cent council meeting. We need to improve our level of service to our residents and to pave our streets, fiscal reform presented by the City Manager, calls for the need for increase revenue. And I look forward to supporting the mayor in whatever best way I can in order to come up with this next important step for fiscal reform. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. First of all I want to say thank you for a budget that has a lot of restraint in it, and didn't have all 55 BDs in it. Because I know there's a huge desire to kind of restore services before we can fully afford them. I think it's important that we move very cautiously forward. I really concerned about the budgeting practices of the council. If you look at our historical spending by the mayor, council offices and the council general, during the times that we've had these huge deficits, spending on the 18th floor has continued to increase. We used to justify 25% of our budget for the work that we did as RDA board members, who are no longer RDA board members. We do some successor agency work but it's nowhere near the volume that we did when we were RDA board members. Yet we see no corresponding reduction in our office budgets. I think that is improper. I think we should be reducing our budgets at least partially. I had one BD that recommended a 10% budget reduction. That would provide ongoing funds so that when we have these needs like we see on several of the blue memos today, that are ongoing needs we have ongoing funds to fund them. I remain concerned, I thought we made progress in budget document over each of the council office budget so that the public can really see how the spending occurs amongst the elected office. Somehow that got reversed mid course between budget years and I think that it really, if we really want to be open and transparent and have best budget practices then we should have like every other department in the city, we should have individual line items in the budget. As you know, every year, I choose not to roll over money because I believe that when you have a

budget, if you don't spend it, the rest of the money should go towards general obligations of the city. We don't allow unencumbered funds to be rolled over in any other budget. It's one thing if you have a project and the money's encumbered. It's another thing when you don't and you're just leaving a cushion for additional spending. You know I think that while we provide services to our residents there's much more higher need and higher desired services that we could be funding in other parts of our city. One of my BDs for example took that rollover money that has consistently hovered around the \$2 million mark for as long as I can remember, during this budget process, and we could use that money to provide better services by automating the City Clerk's office, so they can provide better services not only to the council offices but to the residents. We know that the public has been making increasing demands for public record requests and we spend huge amount of time and resources in responding to those. And by funding an automated system we would be able to fund a program that the more accurately quite frankly. The clerks office would be better to serve the council office as well. i'm really disappointed in the areas of the budget that surround the 18th floor. I'm not going to vote against the budget because there's one item that I don't like but I just want to continue to express my disappointment with this collective body that we won't address these budgeting issues. I think we're here to serve the public, not to see how much money we can spend on the 18th floor. And I think if you look at the charts, and I don't remember the exact BD number but if you look at my BD that deals with overall council elected official spending you'll see that has trended up during each year that we have had deficits. So with that, I'll just express my dismay, and concur with the mayor on the blue memos that are out, the additional memos. We shouldn't be spending money that we don't have long term funding for especially the one that contemplates hiring sworn officers when we only have money to keep them employed for two years. It takes almost that long to get them hired and trained and ready to do the job. And that would be right when we're ready to lay them off because we don't have funding. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I also want to echo my appreciation for your June budget message. I'll speak about two actually small items, on my proposal. One was the, add another \$5,000 to the Berryessa neighborhood association, which is a newly formed organization to promote the development of sustainable local business in Berryessa. I know in your budget message you have provided money for West San

Los and 13th street huha park and I appreciate that and I wanted to emphasize the importance of getting the Berryessa business association it up to speed with a lot of vacant or newly built retail spaces in Berryessa, I named the Fox property the peppermill and the amendment to please ask you to consider funding the Berryessa business association at a equal footing with other business associations throughout the city. I would like to make a motion to make an amendment of adding \$5,000 to the Berryessa business association if can I get a second. No?

>> Mayor Reed: Motion fails for lack of a second.

>> Councilmember Liccardo: May I make a motion and -- I cut off Ash.

>> Councilmember Kalra: I may be making a similar point.

>> Councilmember Liccardo: Out of Councilmember Constant's generosity we have the and I think to many I know that we have many NBDs in my district I can recognize the fact to which we are free loading in many ways. I would be quite willing to support it Councilmember Chu if you and I both committed from our own council budgets to similarly commit \$5,000 from our rollover budgets to support NBDs then I think it might make sense to include Berryessa as well and perhaps relieve Councilmember Constant of the extent to which he's obviously supporting our neighborhood business districts.

>> Councilmember Chu: You know I'd be happy to do it but I guess my question is, why do we have the funding for all nine or eight business association when we just purposely left out the Berryessa business association?

>> Mayor Reed: Let me speak to that. These are the nine neighborhood business districts that we have worked with for a long time, started through redevelopment. There's probably another couple dozen business associations in the city that we're not funding that are similar to the Berryessa business association. These nine NBDs that's it they're just nine of them and we are restoring a little bit of the funding that we cut in the previous year. But we are not providing funding for all neighborhood or business associations throughout the city.

>> Councilmember Chu: Okay.

>> Mayor Reed: But councilmembers are certainly free to spend their rollover funds however they deem appropriate. That's a source of funding for any or all of these neighborhood associations or business associations that don't qualify as NBDs. That's 80 don't support adding the funds.

>> Councilmember Chu: Okay, great, thank you. Ash, you want to speak to this one or -- I'm going to move to my next. Okay.

>> Mayor Reed: Move on.

>> Councilmember Chu: The next one is to allocate \$50,000 from our antigraffiti program to support the art project. Art box project. I like -- I know that again, that my office and many -- and district 3, Sam's office and Pierluigi's office have sponsored many of the art boxes in each of our districts. But I would like to make a motion to allocate \$50,000 from the antigraffiti fund to make it into a pilot program for a year, Tina Morrill I know she's in the audience kind of taking it on her own, and she spent a lot of time in locating those appropriate city owned utility box and then she connect with the artist and then she connected with the neighborhood association. And she also wanted the neighborhood association to come one a certain amount of money, I think it range from \$100 to \$150 to pay a stipend for the artist and to help with the design and the graphic of the art box. And this has been very, very well accepted in Berryessa, we just had unveiled our first one on the corner of Berryessa and Piedmont. And BCAC are happy to sponsor more, if necessary. However this whole thing is really on the shoulder of community volunteer. And I understand that she is finishing her school, and may not be able to really you know dedicate it that much of her time to continue this project. So I'd like to make a motion to see if we can allocate a \$50,000 to putting it into the park fund, it would like a special account just to have Tina to have something to work with. For the next year.

>> Councilmember Kalra: And mayor I'd be happy to second for purposes of discussion to hear from staff. Point of order, Rick, can we do a motion simply on an amendment or would it have to be a full substitute motion, to discuss the memo?

>> City Attorney Doyle: I think in the budget we take each item as an amendment. So whether or not council would like to add an amendment to the budget.

>> Councilmember Kalra: I would add a second and would like to hear discussion as to Councilmember Chu's motion.

>> Mayor Reed: Add 50,000 to the art box project citywide let me speak to this first, first the antigraffiti program does not have surplus of funds. We've had many hours of discussion for the antigraffiti program, the demand is going up as the graffiti is going up there is no surplus there. Second the art box could be funded out of the \$800,000 of council office rollovers. Cap grants. There's \$90,000 there. And then there are HP grants that each council office will be getting additional funding for. So there's ample source of funding under for those and if any councilmember thinks they're item and that's 80 don't support amending the budget. Councilmember Chu.

>> Councilmember Chu: I understand that we'd be -- I'd be very happy to sponsor, you know, as many of our boxes in my district. The point that I'm trying to make is that staff, I would like to make it into a citywide program, and not just by district, you know like if we have committed to a certain amount of money, and we can get Tina to commit it for another year, I think we'll have a very, very good return of our investment in terms of the effort of antigraffiti.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: I just wanted to hear staff response to that specific --

>> Mayor Reed: Anything to add to this?

>> Councilmember Kalra: To the specific motion.

>> Julie Edmonds-Mares: Thank you, Julie Edmonds-Mares unable to abate if we were to avert these funds. Now, alternatively I'd like to scug is that what we could do is have the art box program which is an excellent program work with our parks foundation and attempt to do fundraising so we could increase this as a citywide initiative.

>> Councilmember Chu: I know that Tina is in the autopsies and mayor if I could ask Tina to come down and share her experience with the art box project.

>> Councilmember Liccardo: Mayor, is there a way for us to indicate that we would like to speak to this motion as opposed to the larger budget?

>> Mayor Reed: I'm just going to sort of poll the council because I know there are other items as well.

>> Hi. Yes, the art box project is, just to clarify, this is not a nonprofit entity but it is operating as a not for profit endeavor. And I certainly didn't want to duke it out with other core services. I wasn't trying to get into that. I do understand, when you're trying to allocate funds towards one thing, you have to take it from something else. And so the project, though, is -- the purpose of the project was to reduce tagging and graffiti. And I have been able to show that there's there some success there. I think I shared in a couple of meetings that the boxes that I've had since September I've had four tags on. That's a pretty significant reduction. I'm ready to start doing harder metrics and the purpose of the project is also to engage local artists, pay them so it puts a little bit of money back in the economy, beautify the neighborhoods, get continuing engagement and so far I've had very good results. But again and Councilmember Chu I'm really, really grateful for the recommendation. But I certainly -- I'm a little bit concerned about taking money from one pot and apply it to another, you know, at this point in time. So but I'm available for questions.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: And thank you, thank you very much, thank you for all you're doing.

>> Okay.

>> Mayor Reed: Okay any other comments on this motion to amend? Vice Mayor.

>> Vice Mayor Nguyen: Thank you, and while I appreciate Councilmember Chu's intent, I think Tina's right. I think that you know it's really hard to try to pull from one pot and put into something else. But I also, my office also gave \$500 to Tina for her wonderful work. And I think that's the right way to go. I think that in each council district we have you know, I don't know how many boxes. But it cost roughly around \$120 to \$150 to paint over this box and so you know we can start off with \$500, paint a couple of boxes to see what the community reaction is to the painting of this box. But I think that is the right way to go. I don't think we should allocate \$50,000 to pilot this program. As a matter of fact, the way it's going right now, it is a pilot project. I think San José parks foundation is serving as the fiscal agency for this. And so that would be the direction I think is the right direction for us to move forward with.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I was going to suggest, Councilmember Chu, I think if I'm not mistaken there would be enough money in council general to submit some kind of funding. I think that would probably be the right place to go and I would support something like that. I wouldn't support taking it from graffiti abatement, recognizing the enormous challenges we have in that area right now. But certainly if there was a modification of the motion to focus on council general I think that would be something I might be able to support.

>> Mayor Reed: Anybody else on this one before we move on? Councilmember Herrera.

>> Councilmember Herrera: I also appreciate Councilmember Chu's recognition of this program. I think it's really important. We also have provided an HP grant for an art box as a pilot project in district 8 so I really think it's an effort worth supporting. I encourage my colleagues to look into it for their districts. I could also be persuaded to support something with council district. Think we all have money to support this in our district and I think it's an adjunct to graffiti about a art boxes there doesn't seem to be a lot of graffiti on them so I think that's significant community taking pride in it. But I don't want us to see taking any money from our antigraffiti. We need more on that.

>> Mayor Reed: Councilmember Oliverio. p.m. it's only happening because Tina puts her volunteer efforts, she organization the whole thing. [applause]

>> Councilmember Oliverio: But with that said, we each have the ability ourselves as you've described again and again mayor for us to fund those in our district and I would hope that all the councilmembers would pursue that. Ideally that's the councilmember's choice. But to the idea of taking out of the council general then I would be looking at just completely redoing council general if we're going to be doing nitpicking because I don't think it's 100% necessary versus the office budget. My preference is just continue to do it on your own as you wish, the different vehicles you have to do it and then if we want to tinker on council general to what Councilmember Liccardo talked about I'd be interested on that item .

>> Mayor Reed: Anything else on this item, we have a motion to amend on the motion to amend all in favor, opposed, I count one two three four five six seven eight opposed with Kalra, Campos and Chu voting in favor. Kalra is opposed I'm sorry so nine opposed, amendment fails so we still have a motion on the floor for the budget message. Other comments and questions on the budget message, Councilmember Kalra.

>> Councilmember Kalra: Thank you, and I do want to thank Councilmember Chu, it's an important discussion recognizing a valuable project and I think going forward we can determine the way to fund it in a most appropriate way. But definitely worth bringing up and talking about. And I want to thank the mayor for bringing forward this budget message, this year is much different than years past, as the mayor indicated we've done and I want to

thank the employees of the City of San José who have begun a lot. Both in terms of compensation, as well as paying more into their own benefits as well as having their friends and colleagues be late off as well as taking -- being bumped down positions, you know they have done a lot in order to allow for us to have the surplus. I don't want that to be forgotten and I want that to be very clear, something that I know the residents when I speak to them for the most part recognize it and also are very appreciative of the work that the employees do for the City of San José. That being said I do have a couple of items, and mayor you've made reference to some of them and I'll start with one of the memorandums I put forward, with Councilmember Chu, and that's regarding the burglary unit. Now I understand the point that is often made that you don't want to put something in -- restore a service that you're not certain that you can maintain in the long run. However, I will say this and I imagine that it's similar throughout the city. I've been hearing it from everyone in my neighborhoods and I know that the data supports it. We've seen an increase in burglaries, we've seen an increase in the auto thefts. We have not had the capacity to even investigate burglaries, we don't follow up on alarm calls anymore. This is truly the time that we need to react. We can't react in one year in two years or in three years. We need to react now. Now, the suggestion that I have put forward is to use a fund to pay from one city fund to another city fund which we -- in which we have every ability to do, in fact the fund that I'm referring to, the type fiberoptic payment was already deferred for two years to get through these past two years to be paid not now but actually it's due next year, in 2013. My suggestion is, a further deferral for two years to give us three years of a burglary unit, to go into place right now, come July, as soon as we can specialize, have specialized training for the sergeant and the officers necessary. It doesn't -- these are existing officers that we can train, to be placed in the burglary unit. We do know that the police department is in the process of hiring so we'll be hiring new officers to go into the field as patrol officers. But I don't think our neighborhoods can wait. I think our neighborhoods need to have the burglary unit in there now. We understand especially those of us that have worked in criminal justice that when you do not investigate burglaries, you are really losing out an opportunity to investigate criminal operations. Oftentimes the burglary rings are very organized, oftentimes there are gangs that organize them, drug dealers organize them and we have seen on many occasions as we saw in the case where Palo Alto did a follow-up on a stolen iPad, they did the biggest meth bust in history, they burglaries if we can get to our backlog, identify the fingerprints that are sitting there collecting dust literally we can have an opportunity to not just effectuate but really have the opportunity to get into some of the criminal enterprises that are far more influential, that -- I know burglarized how personal and

intimate of a crime it really is to have someone in your home you know going through your things. But the reality is that we have an opportunity to really go after much larger criminal enterprise. We're not doing it now. The burglars know it. Those that are operating these burglary rings know it. They know that when the alarm goes off an officer is not going to show up and the time is now. I've been told by my residents, the time is now. I can see it, we can see it in the data and frankly the data doesn't even show how bad it is because we don't follow up so we don't know what we don't know in essence, what we do know is there are more burglary incidents than ever before and that includes even auto burglaries as well. And so my suggestion is use a fund, that understanding just as we did a couple years ago, we have every ability to have that fund repaid two years later, to have the burglary unit in place for two years. We know we have a deficit for next year that I agree and appreciate is going to be reconciled as part of this budget. We are looking at surpluses but we never know what's going to happen with the economy. We don't have a surplus, if we have to terminate the burglary unit in three years, we have three years of a burglary unit. If we don't, then we have a burglary unit and that's even better for the community. I make a motion to re institute the burglary unit.

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

>> Councilmember Constant: I don't disagree with anything you have said about the need for a burglary unit. But the officers and the sergeant have to come from somewhere and that means, right now, they would come from patrol most likely. And we provide funding for the police department and the chief deploys those officers, and based on what we've approved in the past and what's approved in this budget, really, the only other place that the police chief is going to be able to take them from quite frankly is patrol, which is already understaffed. And while we might be hiring right now, those officers aren't going to be ready to go anywhere or do anything on their own for a long time. For at least a minimum of a year. So to say we have the ability to do it right now, we don't. If we had the money and gave it to the chief they can't do this unless taking someone from another job. Last year when we were sitting here a year ago today I was argue about the reductions and trying to save those officers. Because you can't just flip a switch and get them. And the funding source, it's kind of like not paying your credit cards to make your mortgage payment. It's still due. So I would much rather find an ongoing source. And as I mentioned we could reduce the elected officials budgets or something like that, find an ongoing source and provide a

stream. But to say if we do this today at least we'll have it for three years, in reality we're not. Because the chief is going to have to make a decision on what other job is not going to be done.

>> Councilmember Kalra: If I could respond to that exact poem point, I would amend the motion to say, under the direction and time line of the Chief of Police, the chief could make three months or in six months but as least he has a authorization and the funding to do it.

>> Mayor Reed: And who had the second, Councilmember Chu you had the second. So we have a modification to the amendment.

>> Councilmember Kalra: And I agree with that point that we should have the Chief of Police have that discretion, we're not telling him on this date you have to do that.

>> Councilmember Constant: I know that chief moor, I don't see him up there I see Chief Goede up there. I know as they bring their budget proposals they have a whole host of places they'd like to place officers, I don't know where this falls now, I don't think you have the answer off the top of your head. But if we are going disagrees that we should be starting to restore as many of those officer positions as we can, we need to find dedicated funding streams, ongoing funding streams and then have the chief come back to us and say where they need to deploy those resources. That's why I can't support this. Not because I don't think we don't need a burglary unit we do. But I'm not sure if the chief might say they need two or three or gang officers or one or the others and I'd have to see that before and I'd have to know that we have an ongoing stream of money.

>> Mayor Reed: I'm not going to support the amendment because we're using one time funds to create ongoing expenses and if you look at 2013-14, we're right now projecting a \$22 million gap. If the retirement boards and it's probably more like when the retirement boards decide to lower their investment return assumptions from 7.5 to 7.25, that will add about 13 or \$14 million to that gap of 22 million. There are other things that could go poorly and we should be cautious and wait and see how it goes before we add ongoing expenses. There are a lot of ongoing items we would like to add, library hours for example is a popular topic as well as police. We have to have the

discipline not to spend one time funds for ongoing expenses because we're going to be in a deeper hole in 2013-14 if we do so I don't support this amendment. Anybody else on this amendment? Councilmember Liccardo.

>> Councilmember Liccardo: Ask chief Goede a question or two.

>> Mayor Reed: Okay, I'm sure chief Goede would be happy to answer a question or two. We'll give her a second to get down here.

>> Councilmember Liccardo: Chief, I know that your department's very badly stretched everywhere. Where I see them most physically is on patrol. My question is, if you have money to suddenly fund a burglary unit and you've got to pull bodies, people from somewhere where do you pull them.

>> Assistant chief Ricki Goede and first off I appreciate the consideration for the burglary detectives. Certainly we are very strapped as you said Councilmember Liccardo. And Councilmember Constant is exactly right. Were we to get more bodies right now to put people in a burglary unit they would have to come from patrol because we are significantly down between resignations and retirements that have happened since -- I mean as soon as this we just had five more just in the last week. So all of those come from patrol, significantly reduced at a so it causes us to have to cut in other areas and property crimes is unfortunately one of those areas that we have to cut in staffing in order answer the calls for service. That being said, I think contact to completion. I think that Councilmember Kalra brought up a very good point with regard to the latent prints. We are significantly down in our latent print staff and that is certainly an area where we actually could add bodies right now now that would help our officers that we are really pushing to do burglary investigations from beginning to end in the field because we found those are the best way to solve the burglaries that happen. So being able to have people who can actually examine those latent prints are very crucial.

>> Councilmember Liccardo: By examine, you mean an LPE, someone who is nonsworn?

>> Yes it takes a lot of expertise to do it and we have lost a lot of them .

>> Councilmember Liccardo: Understood. I'm trying to figure out how that would be crafted as a one time expenditure. It is someone you hire and you keep.

>> It would be an ongoing expense, that's correct.

>> Councilmember Liccardo: Within the very, very constrained choices you're given it sounds as though the chief has already made a determination that patrol is a priority over the burglary unit if we have the current arrangement that we have. Is that fair to say?

>> Absolutely. Our number one priority is to respond to emergency calls for service.

>> Councilmember Liccardo: Okay. Thank you very much, chief.

>> Uh-huh.

>> Mayor Reed: Other comments on this? Councilmember Rocha. Couple more. Councilmember Rocha.

>> Councilmember Rocha: I want to thank Councilmember Kalra for raising this issue. I can tell you how many -- can't tell you how many community meetings issues were for the community and then eventually residential burglaries just kept rising to the top. Over and over again. We had a community meeting last night, captain Honda was there, you've been at a couple. Thank you very much for showing up. Based on what you heard, based on the stats if you wouldn't mind sharing what the stats looked like you just shared some with me, how those look.

>> Presently we are just about a little over 30% increase in our residential burglaries.

>> Councilmember Rocha: That's citywide?

>> That's citywide, correct.

>> Councilmember Rocha: There's one in district 8, there was a b a 200% increase.

>> That's right, out in district Charles there was about a 200% increase, you're exactly right.

>> Councilmember Rocha: As you spoke to and everyone else recognizes up here, resources are limited. I keep hoping for a solution, one that comes from the department in terms of how we're going to address this or how we hope to address this. Because any one of these burglaries could lead to physical injury because somebody could be home. That scarce me to death that we may have one of these happen and then we're going to be acting after the fact. I would feel a lot better if we had a little bit of a plan to how to get there, to be a little more diligent how we could address this issuing which seems to be a significant issue. Speaking as a layman not a public information officer, I'm sorry, I keep going on, you may have something to say.

>> No, I as it is not a good feeling and I can relate to the residents in San José that have had -- have been burglarized. And I think this is an issue quite frankly councilmember that we are grappling with over the nation. We are not unique. San Diego, San Francisco, Oakland, all have seen their burglaries rise. It can be for many reasons. It could be the economy catching up, it can be realignment, a lot of things. Trying to use our technology much like we did with traffic to see an area, a large cluster, and attack those things with our we also know we work pretty closely with our neighboring police departments also because a lot of the strings that we're seeing coming from, say, Milpitas, it's the same group of people and as we catch those we have a significant impact on the burglaries because a lot of them are responsible for numerous burglaries. As I said, in all of the community meetings I've been to, it is absolutely crucial that our community be vigilant and watching calling immediately when they see people that don't balooning in the area, especially people pretending to be visitors, knocking on the door to see who's home and who's not home.

>> Councilmember Rocha: Thank you, I want to go back back, I understand this is happening other places but we had an opportunity this year with the budget surplus to maybe try address this issue. I don't feel myself included that I did enough to make sure we were addressing this issue. Councilmember Kalra's request is a little more dollar than I had initially asked for in the budget process and maybe at some point mid year I'd like to ask the pair to consider this whether or not this issue goes forward that maybe at mid year we address this at the committee level and maybe your side of the things could bring something to the committee with a suggestion of what resources would be helpful. Again I'm going back to this, this is a significant issue and I've heard it loud and clear from my community. They want us to do something about this and I don't have a clear answer as that we're doing something. Thank you.

>> Mayor Reed: I'm suggesting that August 7th as we look at the restoration of services list how we prioritize them. Because while I certainly can't disagree with the interest and the need for you know more people in burglary, there are a lot of other issues on that priority list that may be just as important and I think that's something we discuss in August when we go look at the whole list. Because we've been sort of saying well, we need to restore police staffing but we haven't talked about well within that police staff, what's more important, and the chief hadn't had a chance to tell us that, let us figure out how to fund it oop but I think that's a discussion just to get back to January of last year. So I would suggest we take this up in August, in that discussion when we're talking about priorities.

>> Councilmember Rocha: Then as we move back to the discussion on the budget as a whole I'd like to potentially include some direction to the police chief, to maybe do some work on this issue, and bring it to the committee level, so we're prepared and not acting after the fact. Because I really think regardless how this plays out, I'm going to say it out loud, I hope you're wrong about your budget predictions for next year.

>> Mayor Reed: Me too.

>> Councilmember Rocha: But I'd rather be prepared for that day to come should it come. Thank you.

>> Mayor Reed: I'll add many on your recommendation Councilmember Rocha about bringing this to committee. A few years ago we gave some direction to the chief to tell us how we're going to cope with declining budgets, declining people and still maintain our status as a safe big city. And the chief came back with a report through the committee of things that were done and could be done and were successful and it wasn't directly a budget issue but how the chief manages the resources. Would I certainly support the direction to the city so we can begin to have that discussion and the chief can focus on it . Councilmember Pyle.

>> Councilmember Pyle: Yes, I'm wanting to say, there are other things in the meantime, I think Ricki Goede, is very familiar with some of the techie types in my district who have formed groups, we've gone through every single neighborhood associate, we've actually formed new ones, training them so they know what to be on the lookout for so everybody in that group knows what they need to do. What's happened lately is they've got be so good about it, they've been so accurate with their figures, that the police actually do go out now. Would I be wrong with that? They've come forthwith compelling situations where police people I better go to this one or I'll take the time to do so. So that's one situation where just increasing the knowledge of the individual homeowner groups is very worthwhile. I don't know if you wanted to comment or not.

>> I would say absolutely, Councilmember Pyle. Where we've made inroads, because there's the resource from the neighborhood watch is a huge part of doing burglary prevention and being on the lookout. That's an area that we could look to increase and be able to do more of that. Because it definitely requires a partnership.

>> Councilmember Pyle: Because you could have a lot more police officers, it doesn't necessarily mean that the problem is going to go away, not by the people in the neighborhood.

>> Thank you.

>> Mayor Reed: We're going to go around on this, Councilmember Herrera.

>> Councilmember Herrera: Thank you, I'm obviously as a councilperson very concerned about the burglaries. This news about increasing burglaries is relatively new news, this 30% increase. I know we had the chief a few weeks ago and we were not hearing these numbers. What are these numbers what do they relate to and when do they come out?

>> Well, they're quarterly stat and it's been a increase and we have seen them in the last quarter really start to increase. And again, we've seen that for a number of reasons.

>> Councilmember Herrera: Talk about the city and where you're seeing these increases.

>> There's different place is citywide, there is a particular area in Charles am Councilmember Rocha's good we actually caught the burglars I think that were responsible for quite a few in a certain neighborhood in district nine and we're looking at without getting into, there are investigations going on I can tell you right now without getting into it, I think some of those might be related to your district.

>> I know I had some conversations about, related to alarms and that kind of thick, but some more urgent responsiveness in district 8, inwere some issues about the alarm policy --

>> With the verified response?

>> Councilmember Herrera: Right, right, there was some work being done without verification because of the concern.

>> One of the things, our department along with Los Angeles, verified response, that's Public Health different. The increase in burglaries is as a result of that, it's already happened so that's not going to help us. But away we're looking at with that is being able to broadcast whether the alarm cars offer agencies and it also gives our officers an ability if they have information to be able to respond to those areas and that has actually worked and that has also helped us catch a couple of burglars.

>> Councilmember Herrera: Right, I'm saying verified response I know that's been happening in my district because I've had conversations with the police department.

>> Yes, you're very correct.

>> Councilmember Herrera: So I'm very, very concerned about this increase in burglaries and our ability to respond to that. And I think it's hard for us up here to make a decision that would tie the hands of the police department, though, in terms of how you would deploy resources. We may think if we do this, this is going to solve the problem. I just heard you talk a few minutes ago about the latent print examiners being a really important piece in getting burglaries solved. How important is that related to having more bodies out on patrol working the burglary unit?

>> That's a great question. It is a hugely important component. Research has shown when we pull prints at a scene and those can be identified, 33% lot of sometimes can be identified and a suspect made. But the problem is when it comes to latent print examination, again it's a property crime takes a back seat to crimes against persons and as everybody knows we've had 18 homicides already, we've had several assaults with deadly weapons and all of those cases are going to take precedence on a very depleted staff we have in latent prints. So the ability to be able to examine latent prints for property crimes is huge towards solving the issue, there's no question about that.

>> Councilmember Herrera: Even if I were to wave a magic wand and give you a lot of late end print examiners,.

>> Precedence over property crimes. That's going to be a given. But obviously the more latent print examiner you have, we're down eight, the more you have the more ability you have more time and ability to test more things. But that being said, you can't wave a magic wand and all of a sudden have latent print examiners either. It requires a lot of expertise and we put out applications for latent print examiner 2s which you have to have a

experience to say it's the suspect and testify in court on that and it takes training and experience to get to that level. You have to start hiring sooner to get to those levels. But we only had two people put in for the latent print examiner 2 position. So that again to go back to what you're saying these are solutions to some of the problems but they're not always easy solutions.

>> Councilmember Herrera: And it would be tempting up here to come up with some kind of solution because we all want to make sure that burglaries are being involved and it might not be -- we might not come up with the best solution up here. I'm very interested in hearing some ideas from the police department, and it's sounding to me like it's going to be more August when we can do that. But I think I'm very open at that point. I'm not sure how flexible we will be with funding then. It sounds like we'll be able to make some different decisions or some fine tuning of decisions but if we can have some ideas we can have to help solve more issues with regard to burglaries and other issues with the police department I'd be very interested in that at that time. I had one other question. If we were to approve Councilmember Kalra's motion today, and we had more staffing for burglary, that would come out of patrol, you said?

>> If we were --

>> Councilmember Herrera: The actually staffing would have to come from patrol?

>> If we were doing it today yes, we're planning on running an academy in September. There is no plan for restoring, it is actually restoring a position, there's no plan to do that until the academy graduates and that's not until late April of next year. Anything would come out of patrol that's correct.

>> Councilmember Herrera: Give me an example of how that would change patrol across our city if we were to take -- if we were to staff a burglary unit?

>> We have a burglary unit right now.

>> Councilmember Herrera: To do more.

>> To add five investigators and a sergeant --

>> Councilmember Herrera: If we add 75 and a sergeant where would they come out of?

>> From patrol.

>> Councilmember Herrera: Where for example?

>> From the whole body of patrol we would have to use adjustments or use overtime and we would have to supplement the staffing.

>> Councilmember Herrera: What is the typical coverage in an area like mine on patrol?

>> It depends on the time of day and then of course, if you know how many absences we had but it can be -- and of course it depends on the beat, too. It determines the district, determines how many officers you have fringes district Charles smaller beats would have more, district pall would have more we're going out on an average of four six if we're lucky on a district.

>> Councilmember Herrera: So logs maintain respond to really serious kinds of things life and death situations is that right?

>> Losing any more officers right now from patrol would be very bad.

>> Councilmember Herrera: So it might not be a good tradeoff right now to reduce patrol, even though burglary is certainly something I'm very supportive of putting more resources there.

>> Right. In my opinion we wouldn't want to take anything from patrol.

>> Councilmember Herrera: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I congestion I just wanted to inquire if -- with regard to this latent print examiner issue, which sounds very serious, you know back in my days as a prosecutor, down in southern district, we relied on a lot of different agencies to provide LPEs to testify and I'm wondering if, given the challenge we have right now in looking for ongoing money we may have sources of one-time money. If we were to take a look at this in August and found the one-time money and we still had this looming \$22 million deficit or more out there is it realistic for PD to be taking one-time money to contract with LPEs at other law enforcement agencies or outside to be able to help us with the backlog -- the backlog that exists now, at least to start to see if we can clear some cases?

>> I can't say for sure. But I don't believe that that's something that is realistic to be able to happen. I mean I wouldn't sit here and tell you 100% we continue do it but based on where you're hiring them from I mean it's a certain type of person that works for other agencies I don't know that they would do it on a contract basis like that but it's not to say we couldn't try but I'm not sure how realistic it would be honestly.

>> Councilmember Liccardo: Okay I guess what I would ask as we come back in August I assume you and the chief will be providing us with a priority list essentially of what's the greatest value-add in terms of our scarce dollars and we all want to -- I appreciate the emotion and the attempt to address a very serious problem in burglary. I think we all agree there are many serious areas in the crime in the city I would just ask if you would acquire as to the possibility of getting a contract with other law enforcement agencies for their LPEs. My experience on the federal side there are lots of LPEs standing around with lots of spare time. That doesn't exist at the local level I know because frankly our departments are out there doing a lot more in terms of arrests.

>> Yeah and I do want to add just to make sure I clarify. Our latent print serves the county. So all of the other law enforcement agencies in Santa Clara County use our latent print which is another reason there's other agencies and they pay certain funds into that. So the contracting out would have to come from other you know county lab, other sources which is why I said that.

>> Councilmember Liccardo: So the SO doesn't independently hire?

>> The SO has a crime lab but as far as the latent print that comes out of-d operates out of our LPE but it is for the county chiefs.

>> Councilmember Liccardo: The S.O. doesn't have an independent pool of L permitEs themselves?

>> The county right .

>> Councilmember Liccardo: That's what I'm getting at. Councilmember Kalra.

>> Councilmember Kalra: Thank you mayor. It's a discussion that the data dictates we should be having. And first of all chief Goede I hope you heard me when I amended the motion such that it is under the direction and time line of the Chief of Police. So it's not a suggestion that you know tomorrow that this would have to be put in place but rather on the time line given the academies and such and the resources on patrol so that the Chief of Police can determine when they can use this additional funding to add to the burglary unit. We're talking about half a million, 2013 almost a million ongoing for a three year period. Is that something that the police department could use to help, help do investigations for burglaries?

>> Well I mean certainly we could use -- we could definitely, we need resources, resources are what's going to make the difference in doing any of the investigations, whether we're talking about burglaries, homicides, whatever any help we could get in that regard, there is no question about it. But I think they need to be ongoing to really make an impact and continue to make an impact.

>> Councilmember Kalra: I indicated the suggestion is for three years.

>> Right.

>> Councilmember Kalra: Three years for a burglary unit that right now is pleated, right now we've decimated our department. There are officers leaving left and right. We've lost over 300 officers for now having a concern to lose one more patrol officer especially the motion contemplates giving discretion to the Chief of Police to determine when and if it's possible the chief decides you know what even with those resources it's not in the best interest of the community, we have to realize that patrol officers are just that, patrol officers. After they show up at someone's home nothing is going to happen at that point if we don't have the detectives to follow up. And we don't have the detectives to follow up at this point. The reality is we do have a funding source that we can use if we choose to that is no fiscally possible or no way it's kicking a can down the road, or a debt that is owed from one department to another that has been done before and the suggestion is during the next couple of years right now at this moment we see a 30% increase we have the summer coming around it gives the opportunity for the chief if he doesn't want to use all opportunities the funds right now go hire a couple of detectives lateral and get them but in any case, you know, the data is there we know that we still haven't hit the peak season for burglary in our city, in any city, we know that there's a 30% increase we can't necessarily say why, I imagine losing hundreds of officers including patrol can speak to that in certainly losing having to emphasize on patrol and having burglaries that just can't be followed up I imagine that has something to do with an increase in burglaries. You know I think it's not just common sense I think that the data indicates that as well.

>> Yes, I -- it's complicated to -- when it comes to first off I have to say I appreciate all you're saying and what you're trying 20 month process from the time a person puts in an application to be a police officer to the time they're ready and fully able to go annals radio calls. And laterals are incumbent to I was a lateral from San Diego coming here to San José. And there's no question that laterals can come on and we can have a lateral up and ready to go within three months you know realicly. But we don't have the laterals applying and we've just hired two direct entry reserves but those two are not easy sops bodies to pull them from and absent somebody being

able to come in and be on the street to supplement they would come from patrol. And burglary would not again looking at some of the other areas if we were to do it right now and the expectation be that we put a sergeant and five officers into burglary that would not be I think a recommendation chief Moore would do at this given time begin some of our other priorities even though there is no question that burglaries are a priority. I want to make win thing, clarify something with Councilmember Liccardo. The latent print examiners, those eight positions, those are funded positions that are vacant. We would need to fill the -- it would help immensely if we could just fill the vacancies.

>> Councilmember Kalra: First of all I think coming back in August, it's important to do that. I still think it's important given the funding source for the chief to shore up the detective unit in burglary is important, I hope that my council colleagues would support it and I think it's very disturbing but telling that we can't even get latent print examiners coming here, we couldn't get laterals to come tower department for everyone to -- it's really sad that our department used to be the finest I think in the country certainly in the state. We can't even get laterals. We can't get latent principle examiners because nobody wants to come to the city anymore. That is causing our city to be less safe.

>> Mayor Reed: City Manager.

>> Debra Figone: I want to echo what Ricki is saying. The funding is a council policy decision so the conversation in August will be very important. I think though what -- if I could again reinforce what the chief is saying, is even if the funding is there, you know, regardless of easy or hard to recruit periods, in order for the officers, the detectives to be productive, it will take time. I think it is important that staff be clear so the council and the community don't get further frustrated when we aren't able to for whatever reason have an immediately productive officers out there trying to mitigate this problem.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Chief Goede thanks for putting up with a variety of questions and giving the background of the Chief of Police. We had a budget study session back in May and I think there are equal number of questions we had that day than today August 7th on one of the priorities for our city moving forward. I just want to understand from the finance office perspective, you know, we have a loan that we bought something with. We took money from another city fund, which is supposed to be restricted. And we used it to pay for this thing. And now we sort of owe it. Is there a consequence in not paying back ought these interfund loans?

>> Jennifer Maguire: Well, Jennifer Maguire budget director. I can defer to our City Attorney on some of that. This loan, when it was originally put into place for some fiberoptic conduits, originated several million dollars over the time period on the interest. We did during two years ago as Councilmember Kalra has indicated, extend the loan for a two-year time frame into this next fiscal year. Because we have some one time funds the March budget message deregulated us to prudently use some one time funds from leftover fund balance from last year. We do recommend to pay off that loan because we put \$50,000 each year in it and we can retire the loan and get ourselves on better footing between our ongoing and one-time funding sources for the future. The consequences I'll let the City Attorney address.

>> City Attorney Doyle: I'd also add the City Auditor did an audit about these interfund loans and questioned a number of them. This is always done with the commitment we were going to pay it back. Also know this is a special fund, this is the sewer fund and to the extent you're going out and proposing increases in sewer rates at the time you're borrowing the money and not paying it back I think it could raise some problems down the road.

>> Councilmember Oliverio: Well I think it is especially a problem when we talk with in public right? Because we're admitting that I'm going to not pay this back so I can buy something else and oh I know it's a special fund but I'm going to ignore it. And I think if we truly have laws that restrict what special funds can be spent on then we need to be cognizant of the obligation that the council did in 1996 and pay off this loan. Sounds to me chief Goede whether it was 10 bucks or a million bucks or 10 million your department could suck it in and deal with it because there's a need. Whatever that need is, we might feel pressure because there is an increase in residential burglaries, but to Councilmember Pyle's point there is a level of responsibility and the neighborhood look their side

windows all those things that unfortunately led to some of these quick impulse burglaries. Not to say that we don't need to add more resources and that's why I've sort of been talking about maybe we set a certain percentage of the budget aside for police because we're always going to get distracted on the issue of the day on what to allocate money towards. And we need a plan Councilmember Rocha, I think talking about August cent and/or scheduling a study session in terms of what is the future of our police department in two, five, six years budget came off the heels of being imploding and it's chosen to take this cushion only because of layoffs that we're now going to spend it on nonpolice services. I mean the reality is the mayor's budget proposal could have said let's add X amount of police officers and done nothing with the other services that people have asked for. So I'll look forward to the discussion on August 7th and go from there.

>> Mayor Reed: Anybody else on this motion to amend, Jennifer?

>> Jennifer Maguire: Yes, would I like to add that our rebudget MBA does take some sayings from the police department that's been realized in the fiscal year and recommends that we put \$250,000 into sworn recruitment so we will be better positioned to add back in the coming positions we could look to future academies as such things as that.

>> Mayor Reed: On this motion to amend, Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor and to the last point made you know we can lead this i'm glad we're discussing it publicly, for \$50,000 a year we have the opportunity to shore up our burglary unit and we have a social contract and the most important part of our social contract is to protect our residents. That's why I'm putting this forward because the problem exists now. We can analyze all we want more and more difficulty recruiting people to work for the City of San José.

>> Mayor Reed: All right on the motion to amend, all in favor, one two three and four in favor opposed, one two three four five six or seven. I got six opposed, so I'm not sure -- I had six opposed. So motion fails on a 5-6

vote. Okay. Back to the main motion. I know there are other items people want to speak to and I've got the light registry on that. Councilmember Liccardo I think you were next.

>> Councilmember Liccardo: Thank you, mayor. Chief Goede I know you're trying to escape but before do you. I know the Mayor's Budget Message incorporates, chief Goede -- I wasn't kidding. I'm sorry. I know it incorporates mayor's budget addendum number 35 which relates to the reorganization of the department and recognizing obviously this is a reorganization out of necessity because of scarcity of resources. I just had a question about district Sam which would move under the new alignment from western to southern. I would just ask if your department would analyze the possibility of Sam remaining in western, based on the numbers I see on the attachment to the City Manager's report, it would appear that southern has roughly, I would say about 70% more calls for service than western currently. And for the purpose at least for those of us who are council district centric, and thinking about the services and neighborhoods that are connected and provided across these lines, for which we're providing services, I think about neighborhoods like Gardner and Washington where there seems to be some benefit in being able to keep those neighborhoods together with other neighborhoods with similar crime patterns nearby. So I just ask if that could be examined.

>> Certainly, Councilmember Liccardo, we'll look at it. We took into consideration not only some calls for service but also radio channel because Sam and link can share a radio channel. There were other issues, they were also FTO districts so having them on the same channel is important. We are actually looking at changing our FTO districts.

>> Councilmember Liccardo: I heard that.

>> The big thing is when it comes to radio communications and not being split, that would be a harder thing to start to change is what channel they're on. It would be a problem to have half of the channel in western and half in southern. That would be a problem.

>> Councilmember Liccardo: Thank you, mayor. I want to thank the mayor and his team including Armando Gomez for putting together this budget. They are very critical changes both in terms of pay cuts as well as very significant job reductions as well. I wanted to thank the mayor for his commitment to neighborhoods, as evidenced by the funding that appear here, recognizing that really, we're looking mostly at one sometime funding. I did want to clarify one item, I think I had a conversation with the mayor's team about, and it relates to page 10, the Mayor's Budget Message. We may have other nonprofit providers who could help us under item F with Spartan Keyes McKinley centers and I would just ask that it would reflect that that paragraph particularly in the very last sentence would reflect that nonprofit providers may in fact provide the services. It may not be the case that they provide additional services but in fact provide the services that are contemplated within the funding that is contemplated there. I would ask that that amendment could be included as a friendly amendment within the -- for the America of the motion. Thank you.

>> Mayor Reed: So the motion is amended by friendly amendment. Councilmember Herrera has the second.

>> Councilmember Liccardo: Thank you. I do appreciate also on page 10 the recognition on Mayor's Budget Message that transportation and I think we saw that very clearly yesterday. When we had several Spanish speaking members of my community come to tell us about the accidents and risks around Lowell school. The reality is, Lowell does not -- they have two intersections. That of course are seeking crossing guards and neither one of them could be funded in the last cycle and even if we were to increase by \$75,000, just by the transportation index alone, we leave out one intersection. People coming off 280 on 70th street, you can imagine what's happening there. I understand the need to be objective, that's an objective as we can but for many schools in the community, because of work schedules of parents parents it may be the case that you have a lot more kids walk through in some neighborhoods than others. I'm hoping that the message in paragraph D is taken to heart by Department of Transportation and the police department that they seek input from council offices on the highest priority locks. It didn't seem to me that happened in the last budget cycle although that had been directed and I'm hoping we'll have a chance to sit down with folks when they are talking about prioritization of intersections in the next go-round. I also wanted to inquire of the mayor about the polling on -- that's contemplated on page 8. I know that there's clearly the case that sales tax measure would seem to poll higher than a bond measure. But I'm very

concerned as I look about how crowded the November ballot is likely to be, with what the governor's clearly contemplated is going to be on the ballot, I know the county is looking at a measure as well, possibly to help healthy kids, Water District and others. And I would just ask if I guess first I'll ask the question, why not include within consideration that polling, the bond measure as well, recognizing that tax measures may have in fact reached their saturation point by the time the voters get to a city measure that's pretty far down ballot? Is there a reason why we would not want to include both in polling, both bond and tax?

>> Mayor Reed: Looking at the result of the last poll we did, I think it was clear that the sales tax measure had a much greater potential of support than the bond measure and that we ought to focus the polling in July on the arguments and the various competing tax measures and all the other things we need to do to assess, that and to do that we ought to focus on the sales tax piece. But you know, we could also probably within the scope of the poll, repoll on the property tax measure a bit but the whole idea is try to figure out what works. And doing those together makes for a pretty lengthy poll.

>> Councilmember Liccardo: I appreciate away you're saying mayor, I think I recognize it. The sales tax matter doesn't pull ayes that matters in a big way but my understanding of the additional polling is specifically to focus on the impact of other measures that are going to be on the ballot on how that changes the numbers or doesn't. And what I'm particularly concerned with is the voters tolerance for tax increases. And in a world with other tax measures that may be a bond measure, may in fact still engender, still have the sufficient support whereas other tax measures may drop quite a bit. So I would just ask it may be considered a question or a poll, at least a question or two on the bond as well.

>> Mayor Reed: Well I think the question is whether or not we can do that within the scope of the poll, the limited time of the poll. We've had multiple items in the past, it's probably possible and I guess I would have to refer to the pollsters and staff and city include the bond measure questions. I mean I think we could but I'm not a pollster. And so that would be okay I think to add that in.

>> Councilmember Liccardo: Okay.

>> Mayor Reed: As long as you understand we're focused on the sales tax measure just because it's got a much bigger cushion of possible support given the low hurdle.

>> Councilmember Liccardo: Thank you mayor.

>> Mayor Reed: We could amend the direction to do that to include that. I think we'd be okay.

>> Councilmember Liccardo: Thank you, mayor.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: I just wanted to say sometimes that's the perfect time to put it on, to put on another sales tax measure, because we have a real form of comparison. With the state, all the money will go to the state. With a city, sales tax, all of it will go to us. It's pretty easy decision for people in San José to say oh I kind of like that one. And if the county does it, the same thing. So it's a good time to make a pitch that I think would appeal to the voters in San José.

>> Mayor Reed: Maybe we could cut a deal with the state to give us back redevelopment funding and we won't put a sales tax measure on and we will get a motion of support to take back from them is okay with the second on it I think, okay.

>> Councilmember Liccardo: Thank you very much, I appreciate that. I appreciate the efforts the mayor has made to work with city parks staff to on measures that are important to our community. I have some concerns about the expenditure on the Muni stadium i'll certainly reserve my concerns for a future day. I think we all recognize that in strongly support and things we support less strongly and sometimes we recognize the value of the whole package is greater than of that objecting in any I have parts so I support the measure as it's currently constructed. Thank you.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you mayor. First of all I'm going to thank Councilmember Chu on his earlier matter. I apologize not supporting it justify the expenditure of public funds, weighing on the nonprofits but I appreciate your leadership on it and not giving up on it. Mayor thank you for your work on this budget message and to your staff as well Armando and Cindy. The city staff has spent a lot of time on this and the community members that came out to the budget meetings and those who came out to our council meetings. I recognize you have a lot budget whether it's from the community or this council. And I really believe that you made a good-faith effort to address all those so thank you. I'll be supporting it.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. I too want to thank you for your budget message. There are a number of things in here that I know are going to go a long way to address some of the needs in our community. Senior transportation, I know that was a very tricky issue, in trying to get all the interest and all the different ideas on how to restore it. But I think the important thing is we were able to get it done. Gang -- you know gang intervention with safe summer initiative, you know that is -- that's probably one of the least heralded but one of the most important services that we do in this city is to keep our kids busy with something very productive in the summertime. Crossing guards that can go on, et cetera. One thing I do want to ask. I know you had mentioned in your amendment message to your budget message was that we were going to come back in August to revisit prioritization. And that's prioritization across the board with city services?

>> Mayor Reed: Yes, it would be prioritization of how we restore services. The council has said generally that we want to restore services to what they were January of a year ago. That's the fiscal reform plan. Well, that's a pretty broad menu and I appreciate your reference to the work that our neighborhood associations did, and that priority, I think that's an important part of how we decide within this broad category, let's restore police, let's restore libraries and community centers, where do we start and how do we do that? We'll be end up with maybe a

more specific and longer list but in some priority order. We're not going to have all the money at once to restore services. That's what I anticipate doing on August cent.

>> Councilmember Campos: I appreciate that, and I won't ask for an amendment to include my memo given that in your message, it you know we're going to be doing that in August. Just wanted to include this again as a reminder for us to incorporate what the community came together, not just in each council district but the budget hearings but also in what was it February where we got a lot of folks together to come up with this list. And you know, with that I will be supporting the motion.

>> Mayor Reed: Councilmember Pyle. Okay, Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I want to thank the mayor, Armando and staff for putting this message together. I think that this is a time where at least we've been able to look at some level of some services that our community can have back. Instead of looking at just taking things away, it's certainly a lot different than last year at this time. When we were going through the budget discussions. I'm glad that we're being cautious, that we recognize this as a cushion not really a surplus and we're keeping the focus on our long term financial picture. But I'm really happy about some of the things we're being able to do in terms of releasing the park development for the parks that are less than \$100,000, I'm glad to see that moving forward for the development of West Evergreen and others, summer programs for youth and safe summer initiatives very important very glad to see that funding continue. I certainly see the value of the mayor's gang prevention task force as someone who is working on it, it's very critical funding and it's more than getting the return on investment when you talk about those dollars being invested into our community. But also I'm very happy that we have the opportunity for folks in my district to be able to engage in swimming at Silver Creek high school. Just being able to go to -- to be able to swim in the summer, to have that opportunity, to be able to do that, I know that when I was growing up in East San José my swimming opportunities were the recreational swim at Overfelt high school. Kids look forward to that to be able to have that opportunity to get out of the heat to get into a cool pool to learn how to swim and be with other kids. It's very, very important and I'm glad that we're going to be able to offer that for young people in Evergreen. The traffic safety is very critical. I hear that a lot from parents and as we talked about the speed limit

that we were able to offer our community, the reduced speed limit, it helps to also have the radar feedback signs in addition to that. To have the other tools to help with traffic safety. I'm very happy that we will have the additional radar feedback signs. To have -- I don't want to tie staff's hands and I want them to be installed in the areas that they will have the biggest impact. I want to look at those communities that have walk and roll in place, have serious traffic issues, so they do go to the communities with the greatest need and perhaps those communities that have the 15 mile an hour, we should look at those too to see if combining those efforts can make a real difference. I'm really glad to see the funding for additional senior services and transportation. I know with along with many of my colleagues support that so that's really heartening to see that in here. they are among the most vulnerable population and it doesn't do us -- doesn't do them any good to have the ability to go get a meal if they can't get there. So this transportation is going to be really important. And you know this doesn't solve everything. This budget is a good start. And it's -- I really commend again the hard work. I want to thank the -- our employees for the concessions that happened last year. Because we wouldn't be in this situation right now, if we hadn't made those hard choices. And they certainly contributed. So I want to thank them. Weigh and we don't want to make those kind of choices again so hopefully we can be on the right footing and get our long term fiscal situation in order so that we can continue to add services and I look forward to August when we'll take a review of our priorities and look at how we're going to prioritize and bring back service restoration. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor. Just a couple more items. One is I want to thank you for restoring senior services or the senior transportation. I was given some information and I don't know if Jen or Julie from PRNS can seek to this, that the \$150,000 that was set aside may not be enough for all five days to all seven sites and I don't know if that ends up being the case, if during the mid year, the mid year budget, I'm bringing this up, I think the intention from the county and from the mayor that all seven sites be serviced every weekday. I think that's the understanding of PRNS, so if mid year the funding is off 15, 20,000 we'll know about it so we can make the adjustment, appropriately.

>> Thank you, councilmember, angel Rios, acting sufficient we'll continue to review and analyze those and come back to you at a later date if we need to.

>> Councilmember Kalra: Okay, if I can have that added to the motion, just the understanding that it's a little bit less than I think PRNS asked for in order to do that transportation, so maybe an an info memo for mid year.

>> Mayor Reed: Vice Mayor?

>> Vice Mayor Nguyen: That would be fine.

>> Councilmember Kalra: Thank you very much and the last item is a memo that was authored by Councilmember Chu and co-signed by myself regarding library hours. I don't want to get into a big discussion on it. I think I understand where the vote may go when it comes to other resources to keep our libraries open. But I do want to make a case that it's critically important to have our libraries open as much as possible. I do want to thank you pair for adding library hours this year library in my neighborhood Edenvale is not open on Saturday, which is the days adults, especially those that are job seekers and in the evenings by families. But I think that if we had the opportunity to add more hours this years, with the funding sources identified, I would urge my council colleagues to do so and I'd like to put a motion on the table for that memo specifically to increase the hours at existing branch issues to four and a half days.

>> Mayor Reed: All right we have another motion to amend. On that motion I'm not going to support the motion. Once again it's using one time funds to create an ongoing problem that we'd have to fund and we should talk about this in August if this is the most important thing on the priority then it can be funded first when we get funds to do that. I don't think we should do it with one time funds. Councilmember Oliverio.

>> Councilmember Oliverio: I concur talk about it in August.

>> Mayor Reed: Othe motion to amend all in favor, count one two three Kalra Chu cams. Everybody else so that fails, we have motion from the milk to speak. Let's take that testimony now. Tina Morrill, has already said her piece, you want to say more? I've got your. Roland LeBrun, Emily Gatfield and then Bob Brownstein.

>> Good afternoon, Roland LeBrun. I'd like to thank everyone for reaching out and Linning to the community before putting this budget together. I strongly support any initiative to use technology to deliver better service at the lower cost and the best example so far is probably the San José clean mobile app. I also support the \$2 million for the gang prevention task force and I would like to close by touching on the police substation and the libraries. As you know the police substation would be general Fund via higher sales taxes, and the higher property taxes that will come not just from the village but from the you know rising surrounding property values. So I would like to ask that the council consider establishing a special fund for the police substation. And direct any revenue from the transit village to this fund until we have enough to open and sustain the police substation on a permanent basis. Moving on to the libraries I agree that priority should be given to libraries, that have yet to be opened. But for other libraries such as the Santa Teresa library I would like to see them open six days a week with afternoons only until we have sufficient funds and we can afford to open them in the mornings as well. Thank you.

>> Mayor Reed: Emily Gatfield Bob Brownstein, Debra Simon.

>> Thank you for the opportunity to speak. My name is Emily Gatfield, I live in district 3. I would, in looking over this budget, it looks as though the concerns are more administrative than the needs of the community. As a resident of San José, my concerns are my safety. They are library services. Code enforcement. Police, burglaries, our homeowners association has had a great many burglaries, and thefts, including vehicle theft. And there's no response. Our members are just told, go online and fill out a report, nothing's going to be done. These are my concerns, the concerns of the residents of the community. I think these are, or should be, much higher priorities than, for instance, repaying a loan to ourselves that isn't even due yet. I do understand, Mr. Mayor, your concerns about using one-time funds for an ongoing issue. Nonetheless I think you can use that time that you've bought us to look for the ongoing funds. And I hope you will. I hope you will put the needs of the community ahead of the miscellaneous needs that you're currently reflecting. Thank you again for the opportunity to speak.

>> Mayor Reed: Bob Brownstein, Debra Simon. Jimmy Nguyen.

>> Mayor Reed, members of the council. I'd like to comment on the talent bridge program which is mentioned in the mayor's message and which deals with offers from the private sector to help the city improve efficiency. I want to emphasize the importance of ensuring that the talent bridge program meets the high standards of transparency and open government, that the people of San José desire and rightfully expect. At the minimum, the public should be informed early in the process which private entities are offering assistance, what type of service are essentially the subject of review and what kind of services are initially being envisioned. We do not want a repeat of the IBM experience a situation in which the public only learned of the substance of the initiative after a massive report had already been drafted. In that case, transparency was minimal. And the public had to hastily mobilize in order to insome. True talent should have no fear of transparency and open government and for that matter, the City's leadership should have no fear of transparency either. Thank you.

>> Mayor Reed: Debra Simon. Jimmy Nguyen. Ricky Alexander. David Wall. I see Mr. Wall. Tina Morrill. Some people have left, so whoever's left I think there's only two or three people so as you speak come on down.

>> Hi mayor and councilmembers, my name is Rickey Alexander, community organization with sacred heart community service. And I'm here to represent some of the seniors who weren't able to be here because for example, Alma had their Father's Day celebration and field trip at San José county fair some seniors couldn't join us. Laura is here from Gardner. I just wanted to thank you all and your budget documents for this year. We were pleased to see the number of requests and to see the funding increase substantially. Number one the van services, it is heartening to hear it will be five days a week and it will be consistent for the year. In addition volunteer coordination is really wonderful so to have an additional resource through a recreation program specialist that will help through volunteer coordination and connecting seniors with the services they need whether it be ride service or volunteer partnership services. That's great and in addition the funding for the alternatives. We really just appreciate that and we want to move forward to make sure the rides are consistent

and the seniors are individually connected to the options they need. So thank you and we look forward to the implementation process meeting the seniors needs. Thank you very much.

>> Mayor Reed: David Wall, Tina Morrill.

>> The past hour or so this conversation opened up with art boxes and you tripped over yourself trying to find a way to fund them. Then you found out 30% or more increase in burglary, then you tripped over yourself to try to find latent finger print examiners. Away we should say is abandon hope all Yee who enter and live here primarily because of the decision makers that sit before me. You have systematically destroyed the San José police department. Every San José police officer that can retire will retire. The others that are on force are looking for outside agency work. You cannot replace San José police officers faster than they are leaving. And yet, your budget is a hodgepodge of give aways. The fire department is also in this same situation. And yet, not much has been talked about them and their needs. What has been effective in the past, when gang murders were on the increase, was the use of federal help. And I don't see the request of federal help in the form of permanent immigration customs enforcement as applied to graffiti abatement or gang activities. None of that has been discussed but yet it would be very, very successful. The addition of military police units, Mr. Mayor to operate stockades to help with the prison, early prison release and county jail releases would also serve as a necessary and effective deterrent for vagrancy and other social miscreants.

>> Mayor Reed: Tina Morrill.

>> Hi good afternoon, Tina Morrill, I'm a resident of District 3 and I'll spare you my other two minute speech. I appreciate the and I want to say thank you for your hard work and to the councilmembers who I've been able to visit so far I do thank you for the contribution to the art box project. I do think you know we're seeing good things and a big thank you to the city staff such as Barbara Goldstein and the antigraffiti team for their expertise. I do want to clarify one point and that is I do work with the parks foundation as a 501(c)3, because I'm not a 501(c)3, donations to go into a 501(c)3 and I did just want to suggest maybe in the future when we're flush if we ever get to

that point, it would be great to fund projects that are like the art box project that are complementary to city services not to again thank you very much for all of your hard work on the budget.

>> Mayor Reed: I think that concludes the bullets. Those are all the cards I have. If anybody submitted a card or would like to commenting, we have a main motion in front of us as amended by friendly amendment a couple of times. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. I just wanted to ask one question on the senior transportation and someone can correct me if this isn't correct or not. The cost of the meals is approximately \$6, but point to point transportation can be twice as much, 12 to 20, is that correct? I just want someone to say that so the public can hear that. Because a lot of times, residents will say, we've certainly want the opportunity for seniors to have.

>> Julie Edmonds-Mares: Councilmember Oliverio, that's correct, Julie Edmonds-Mares, two to three times the meal. Other modes are less expensive.

>> Councilmember Oliverio: Thank you very much. As we approve the budget message I just hope the next year we make some progress in allowing branches open longer. Thank you.

>> Mayor Reed: Thank you. I think that includes the testimony. I'd like to close before we vote by acknowledging the reason we have a cushion which has been mentioned by several councilmembers, practically everybody up here mentioned it, I think we all appreciate it, were the very big decisions we had to make last year. Our employees made very big sacrifices to create a little bit of a cushion, we appreciate that we hope we're going to be able to move ahead without ever having to do that again. Because reducing our payroll by 24% with layoffs reductions and pay cuts was not pleasant for anybody but we do acknowledge and thank our employees for having done that and made that sacrifice for the good of the city. On that we have a motion in front of us. On the motion, of? All in favor? Opposed, none opposed, motion carries. We have one more budget item to take up before we move to the consent calendar. Item 3.6, the 2012-2013 operating and capital budgets for the City of San José and schedule of fees and charges. We have a motion to approve. Mr. Wall.

>> In this sector of the budget there has been no discussion of refunds to property owners with reference to the sewer service and use charge. And how it has exceeded or how you've allowed it to exceed its authority, and funding for the South Bay water recycling program. The South Bay water recycling program is a loser. It's costing the taxpayers millions of dollars per year. And with the expansion has exceeded its authority with reference to the advance water treatment deal with Santa Clara Valley Water District. I for one, as a property owner in San José, have not received one benefit from reclaimed water yet I'm funding it. The turning -- the reclaimed water project into a certifiable water utility is beyond the scope of its funding and that's why Cupertino sanitary district and the City of Milpitas has refused to participate further until some other funding scenario is developed. Such a scenario is underway with the Water District. As of today they were discussing it on their agenda. I for one want my money back. And I would assume that other property owners throughout the City of San José would like their money back as well. But I also recommend very heartily that you just shut down this project. It's -- we're well below the flow cap and I'm tired of spending millions of dollars, seeing millions of dollars of taxpayer money wasted on this when it could be used to rehabilitate the San José Santa Clara water pollution control plant.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve item 3.6. On the motion, all in favor, opposed, none opposed, the motion carries. That takes us to the consent calendar. Part of the agenda. I'd like to note that on item 2.9, I'm a member of the rotary club of San José. And they have an item on the agenda. I just have to disclose that I'm a member. I'm not prohibited from voting on it.

>> Councilmember Constant: Mr. Mayor.

>> Mayor Reed: Councilmember Herrera -- let's see, we'll have some request to pull items off the agenda. 2.13, 2.6 Councilmember Herrera?

>> Councilmember Herrera: 2.3.

>> Councilmember Constant: Mr. Mayor, I need to make the same disclosure. I'm also a member of the rotary club of San José but not on the board.

>> Mayor Reed: All right. So we will have 2.3, 2.6, 2.13 to discuss. Any others? And that, is there a motion on the balance? Motion is to approve the balance of the consent calendar. On that all in favor? Opposed? None opposed, that's approved. Anybody else want to speak? I'm sorry Mr. LeBrun, did you want to speak on 2.12? You can speak and we'll see if we want to pull it off for discussion.

>> Sorry I'm not ready. I apologize. Now can I go back and get my notes, please?

>> Mayor Reed: Go ahead, we'll get your notes, we'll take item 2.3 first. Mr. Wall you wanted to speak on that and then Councilmember Herrera had some comments.

>> This is the Community and Economic Development committee report of May 21st, 2012. One particular thing that continues to irritate me is why the City of San José's, quote, downtown advancement as Silicon Valley city center, are you really so ashamed of San José that you want to just delete it and call it Silicon Valley's city center? Also discussed during the meeting was something that flowed from measure B. Is the need to repeal the living wage and prevailing wage ordinances. These ordinances do only support special interests, and why should taxpayers have to have an artificial inflation of their publicly financed construction projects with these ordinances? Not to mention the machinery of -- paid by the taxpayers to monitor these agreements, the attorney's office, Public Works and then of course the businesses themselves who have to expend extra money for certified payrolls. So they don't end up at the Rules Committee trying to get their liquidated damages reduced or eliminated. Mr. Mayor, I don't see how you can say to the taxpayers out of one corner of your mouth, the necessity of measure B and then keep these living wage and prevailing wage ordinances on the books, that we will be discussing later today, on item 3.17. Thank you.

>> Mayor Reed: Councilmember Herrera you had a comment on item 2.3.

>> Councilmember Herrera: Yes, thank you. This is regarding approval of the economic and development committee report of May 21st. And the report is in there from Kim Walesh. But in addition to the report I'd like to highlight some breaking news. The City of San José and Lawrence Berkeley national laboratory have created a new partnership aimed at accelerating commercial adoption for innovative technology for green and sustainable technologies this is spearheaded by OED staff member Scott Green. Also the City of San José has just received a \$600,000 arts grant to light up downtown. illuminating downtown program, the City of San José project was selected out of over 2100 letters of inquiry and the grant this year. So I just wanted to congratulate our public art program Barbara Goldstein our public art director and all of those who helped in the success of receiving this grant and I'd like to move for approval of the committee report.

>> Second.

>> Mayor Reed: We have a motion to approve item 2.3. On the motion, Kaufman opposed, none opposed, that's approved. Mr. LeBrun are you ready to go on the rest of the consent calendar?

>> I'm sorry for just now. Okay. There is a slide there and I was hoping that all of you would actually be able to see it. I would like to echo the remarks I made to the VTA last week. And as you can see on the slide, hitachi partner this bridge like Alexander's crossing to the north does not cross Monterey highway. This may sound reasonable except when what you can see from the red line, the Blossom Hill CalTrain station will be cut off from the high speed rail will bridge may have to be demolished. In closing I would like to urge the city to enter into a public-private partnership with Hitachi and the VTA and extend the bridge to the other side of Monterey highway to improve the safety of CalTrain users who have to cross Monterey highway on foot. Thank you.

>> Mayor Reed: Anybody want to pull off anything else for discussion? We have approval of the balance of the consent calendar. We have items 2.6 to go back to. Councilmember Constant that is a report from the liaison retirement board.

>> Councilmember Constant: Thank you mayor. Just a brief report from the Police and Fire retirement board meeting from June cent, 2012. A report from Nepeca end of April means basically May and June left in the fiscal year. The returns up to that point at the end of April are 1.9% gross which means significantly less when you take out the fees that were paid. This return is continuing the trend of trailing the benchmarks that the board has set for itself. And obviously significantly less than the assumed rate of return. NEPC stated that at this point, it is highly unlikely that the investments will reach the assumed rate of return by the end of the fiscal year and the consultant stated the following, in this ongoing environment achieving 7 to 7.5% is going to be a challenge. And I think that directly relates Mr. Mayor to what you were speaking of earlier with the uncertainty for future retirement contributions, as the board takes information like this and has to make the determination on what assumed rate of return that they're going to be using for future years. The second item of note is the board was presented a memorandum noting how many disability retirements are in the pipeline. And at this point, and they were very clear to say that this list may not be complete or exhaustive. But to the best of their knowledge at the point of the meeting last week, there are 41 pending disability applications for the Police and Fire department retirement board. And 92 pending changes in status of people who are already retired, who are requesting a change in status to a disability retirement. That means there will be -- the board has to figure out how they are going to process hear and make determinations on 143 disability retirements. To give some context, it's very difficult for the boards to get through three or four hearings in one meeting. The board members are very concerned about what this means as far as how they're not only going to process these in a timely fashion, from the administrative portion, but also, how they're going to actually hear all of these hearings during the meetings, and how much of the energy and effort that goes into those is going to detract from their ability to manage the investment fund. So they are struggling with this. It's a, you know, pretty significant situation. The memorandum that was put out on the disabilities, there's so many names, it took two pages even with three columns of names. And you know I know we've talked about the disability system in the past and it's been the subject of a City Auditor's report and I just thought that it was a significant number, that the council be aware of and a big challenge that the board is going to face. And this is just the Police and Fire board. It does not count anything that might be happening on the Federated side.

>> Mayor Reed: All right, that's the report. Item 2.13, I understand that we need to get some corrections into the record before we take action on the BART construction agreement.

>> Hans Larsen: Thank you, Mr. Mayor members of the council, I'm Hans Larsen director of transportation. We have a slight modification to our staff recommendation. As you know the City's working with the VTA and their design-build contractor to deliver the BART extension to San José. Our staff report recommends authorizing the City Manager to negotiate and execute a three-party construction agreement and encroachment permit with the VTA, the contractor. And the city based on negotiations concluded yesterday, we're now recommending that it be a two-party agreement between the city and the VTA. VTA will be fully accountable for the work of their contractor to the city and so we recommend modifying the recommendation to convert it from a three-party agreement to a two-party agreement. All of the terms that are outlined in the council report are not changed. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Just a quick question about the modification, Rick. I know these are details we wouldn't ordinarily pour over but again assuming a very alarming I think in the venture of three very large entities, why wouldn't we want to keep them on the hook with contractual Privity and why.

>> City Attorney Doyle: I don't know, why the change and maybe Hans has the information.

>> Hans Larsen: We're working at the speed of a design-build contract. It was felt we are wanting to provide a contract to the easy err to execute a series of two party agreements rather than having all three parties coming together. The bottom line for the City of San José is that the VTA is basically committing to the work of their contractor. I think initially it was felt that it may be good to have a direct city contractor relationship but actually we think this arrangement is -- works well on the City's interest and so we recommend approval of this direction.

>> Councilmember Liccardo: Okay. Does the construction agreement include provisions relating to liability for any harm or damage to city facilities?

>> Yes. And the VTA is fully accountable for any damage insurance, liability that's associated with the work of the project and their contractor.

>> Councilmember Liccardo: Okay. Look, I understand that you know we're jumping in here at the last second but my gut tells me you'd really want the contractor on the hook in that one rather than having two public agencies fight it out.

>> City Attorney Doyle: This is a negotiate and execute, you're delegating with the City Manager, I think we can work with staff on that. There are problems as being proposed I think we can come back back.

>> Councilmember Liccardo: Okay.

>> Mayor Reed: Anything else? Is there a motion? Motion is to approve the modified recommendation. On the motion, all in favor, opposed, none opposed, motion's approved. That concludes our work on the consent calendar. Item 3.1, report of the City Manager.

>> Debra Figone: Month report today, mayor, thank you.

>> Mayor Reed: All right, we'll take up a series of items here, I'm going to take item 3.7 through 3.17 all together for purposes of public testimony and we'll decide how to break them up.

>> Councilmember Constant: Mr. Mayor, I'll be recusing myself from these items, I filed my conflict form. I'm going to state for the record there has been questions why I recuse myself on some items and not other items. I just wanted to let everyone know that the City Manager's office issued a public memo today at my request that delineates the difference so anyone who has any questions should refer to that memorandum.

>> Mayor Reed: All right, Councilmember Constant before you go, let me ask the City Attorney is that for the Federated what about the unit 99 item?

>> City Attorney Doyle: It's all related to the same issue. because retiree health care is one of the questions.

>> Mayor Reed: So what I'm wanting to do is take 3.sen through 3.16, 9 Federated matters and one unit 99 matter together for purposes of the public testimony. And in council comments and then we can either vote on them as a group or individually however the council wishes to do it. Let me just note that this is a continuation of recommendations we had several weeks ago, so we're not going to have a staff presentation as I understand it. They've already made that presentation. So do I have some comments. And let me just start by going back to measure W which the voters approved 18 months ago, and which gave us the authority to establish different retirement plans for new employees, which is what is -- part of what is in front of us today. So while measure W authorized it, it didn't say much about the parameters. But a week ago now we have measure B which did give us some parameters for those new employees. So while we are acting under the authorization of measure W, what's in front of us is consistent with measure B in the terms that are provided for the retirement benefits and then the other element here of course is the health care plan, health care for employees and retirees. And as we all know the health care costs are going up dramatically. And there are very few things we can do about those costs. One of the few things we can do is to alter plan design and that's what's in front of us, to establish a new low-cost plan which will save money for the city and for our employees. So I would urge the council to move these ahead. I think the wait to see what happened on election day was worth waiting for. We got a pretty good indication of where the public is on these issues and I think it's time to move them ahead. I would urge my colleagues to support these once we get a motion on the floor which we don't have yet. We do have a motion on the floor to approve the items as recommended. Councilmember Kalra.

>> Councilmember Kalra: Rick, and I don't know if it's even possible, there's a couple different items it looks like on each of these implementations, one is the second tier but then the other one is the health care component of it. Is there any way to have that bifurcated because I had different concerns for each of them and they're two different things although they serve a greater general purpose.

>> City Attorney Doyle: The short answer is no. The problem is, you've issued this as a last best and final offer, it's a package and so it needs to be taken in its entirety.

>> Councilmember Kalra: Okay, I'll reserve further comment mayor until after public testimony or further council comment.

>> Mayor Reed: Okay, let's stay the public testimony at this time. Please come on down when I call your name so you're close to the front. Jerry Mungai, Susan de Vin Chencenzi. Sharon Barbacia .

>> Thank you, mayor. I wish to thank Mayor Reed for the long courageous campaign to educate voters about the unsustainability of the City's overly generous compensation program for the city workers. city government employees to the global economy. Postelection litigation will only delay the inevitable. Pensions must be reformed to reform economic realities. Wisconsin and San Diego can attest to this inevitability. Economic head winds are blowing over the world's economies and they do not bode well for a strategy that delays negotiations in an attempt to get more generous post retirement contract terms. Employees should take heart to the old adage that a bird in the hand is worth two in the bush. I urge the council to approve these final offers incorporated in 3.7 to 3.16 in the agenda W and B that were overwhelmingly approved by the voters. Thank you.

>> Mayor Reed: Susan de Vincenzi, Sharon barbacia rich barbacia.

>> Good afternoon. I would urge you to put off the vote on tier 2 until you actually have an ordinance in front of you that would specify all of the terms of this new plan. And so that the retirement board has an opportunity to review it so we can make sure that there's not going to be any impact on the tax qualification of the Federated system by putting in this provision. And also so that the implementation can actually occur and so that when these people are hired you actually are going to be taking the correct deductions from their paychecks. We need to reprogram the pension administration system. We need to coordinate with city payroll in order to get this to work and the board's actuary needs to determine the contribution rates. If you don't want to at least push the decision

off, at least to change the July 1 date, so that this can all be in place when these people are hired, otherwise, you're doing something retroactively. I don't know how a person can accept employment on July 1st and not know exactly how this is going to work. Thank you.

>> Mayor Reed: Susan Barbacia, rich barbacia, Pat Saucedo.

>> I wanted to the retiree health care portion is unfair because it puts in a plan that nobody is going to be able to afford to have because even though it's very inexpensive it's going to cost you so much to have it if you go to the hospital you're going to be paying 30% of the bill. Who can afford to do that? So nobody can afford to have this plan yet you're going to use it only for retirees as the least expensive plan. Not for employees but only for retirees. It's unfair and it needs to be looked at and changed.

>> Mayor Reed: Rich barbacia, Pat Saucedo, and Dick Leninger.

>> And many other councils when I started in 19 73. During my tenure with the city I ended up being an administrative officer. I was your real estate division manager here. I bought millions and millions of dollars worth of property. I never got any thousands or hundreds of thousands of dollars worth of commissions. I wanted to help the citizens of San José. I got great pleasure in doing that. Now after all the years that I put in for -- in to the city you guys are on the verge of implementing a plan like my wife had mentioned that I won't even be able to afford. I could be wiped out with one illness. That's not fair. During the time that I was with the city, I endured and had to work around staff cuts, hiring freezes, staff eliminations, and I tried to do the best I could, and my staff tried to do the best they could to work, do more with less. That was the motto and we all sucked up and we all did it and we performed. Now you guys are on the verge of punishing us and we're the least likely person -- I'm 64 and a half years old. I can't just run out and get a job to make up what you're going to do to me and the rest of the people here that worked their heart out. Please don't implement this disastrous plan you're going to do that's going to screw up our long term plans that we put into place when I retired. I probably should have kept going. I shouldn't have retired. All the money that you are going to be taking away from me that I have to pay for all of the increased health costs, with the high co-pays and the high deductibles I'm not going to get to go to all the shops and the

restaurants that the chamber of commerce members own so it's going to hurt them. It's going to hurt the City of San José. I'm not going to be able to buy a car. I'm not going to be able to pay taxes.

>> Mayor Reed: Sorry, your time is up. Next speaker is Pat Saucedo. (saying names).

>> Pat Saucedo, San José Silicon Valley chamber of commerce. First of all thanks for all the work of you and the staff. In June of this year measure B passed close to 70% citywide. The voters have said they want reform. They want a second tier. Today's the day to make it happen. The chamber strongly urges the council to adopt 3.sen through 3.16. It is time to take action. We appreciate all your hard work. We appreciate the difficulty of the issue. We have always said that. We feel it, too. But it needs to be done. Thank you.

>> Mayor Reed: Bob Leninger and then Johnny Camas.

>> Mr. Mayor, members of council, representative Federated retirees association. Just on the record, we have spoken to you many times over the years. We've given you letters, I've spoken to many of you one on one. This association none of the officers has never put forth anything in write or verbally, that says we feel we should be immune from rising health costs. not in the system. Now, in addition to that, there's really not enough information right now. We don't want to kick the can down the road if there's ways to save money on health costs. There's a lot of different ideas besides a high deductible or maybe there's some adjustments to the high deductible as proposed that may address some of the onerous impacts on some of the low income people, single as an example. This is going forward much too fast, not enough thought not enough information but very severe low income single lady as an example and to say to her that if you have to, can't afford this premium in some cases it is two or \$300 a month increase or more, you have to take this high deductible with 20 or 30% co-insurance cost, great savings on the premium, you don't get sick. I appreciate the challenges that you have but we have plenty of time here in the next few months to work together to find a way that this can work without negative impacts the way that we can find maybe alternative ways of doing it to save costs and we can be ready with a collaborative effort like that for the unions the administration and the retirees to be here at this time next year when you have possibly a \$22

million deficit and it can be in the mix as to how to save money. We ought to do it right, we ought to do it fair and we should refer this back to the administration to stay this approach. Thank you.

>> Mayor Reed: Johnny Camas and David Wall.

>> Mayor and city council, I'm going to thank you first on your hard work and your ability to take on tough challenges and I thank you for doing that and I thank you for not kicking the can down the road quite frankly. I know these are difficult times and we are facing another \$22 billion deficit as I've been reading. And I know that measure W had passed, a year and a half ago, with overwhelming success and measure B just recently also passed also with overwhelming success which signals one thing. I've also knocked on 6,000 doors. The citizens of this city they want change, they want more efficiency in their government and I'm hoping that you will heed their call to action and actually vote for this. Because I think that's what the citizens want and I don't think we should be thwarting the calls of what the citizens want. I thank you for your time and I please vote for in favor of 3.sen to 3.16, thank you. .

>> Mayor Reed: David Wall. .

>> As a retiree highway I got retired is I was injured I have an artificial knee and an artificial hip. When it comes time for these things to wear out which they are I get to spend incredible amounts of money. Now fortunately because I tithe and give offerings I'm going to be provided for. But why I stood up here to speak not only the blatant lies that have been told to countless thousands of city employees with reference to measure B and the language contained therein the ensure the enticements of people to work for the city is now thrown out. But the big reason why I'm standing here on this issue is the abject hypocrisy shown by Pat Saucedo as a former councilmember, who did not with her other former councilmembers, meet the obligations to fund the retirement system properly. And so when I see the board or the chamber of commerce representative come up here to pontificate this or that, in reference to employee health care or benefits, fortunately I can control my stomach so I don't puke in public. But with reference to her retention as any type of leadership position within this city, certainly if it was left up to me, would be a different type of job. Thank you.

>> Mayor Reed: That concludes the public testimony. We'll come back and take up these items. We have a motion to approve the group of them. On the motion, all in favor, Councilmember Kalra did you want to speak before we vote?

>> Councilmember Kalra: I apologize, I made reference earlier but my button was off. I wanted to make comment after public comment.

>> Mayor Reed: You did.

>> Councilmember Kalra: If there was the ability to bifurcate it, I support the health care changes as it relates to some of the@-- as far as the actives but the retirees they have something I know Councilmember Chu and I have raised many, many times that not all retirees are equally situated. We still have not gone through a process to actually determine those retirees that are truly in need and that these are significant health care changes. Now, that someone's making 70, 80, 90,000 on their pension you know they'll have to tight.up a little bit they can afford it. Someone making 30, 40, under 50 essentially these are some significant changes and may deter them from actually getting medical care. And so I don't know if we go forward if there's a way and I know this has been I mean it's like going -- we ask for it all the time. We never get the information as to delineate or to figure out, I don't think it's that challenging even if we get asked the retirees themselves to provide their tax papers what have you to determine those that are truly in need but I would really be interested in knowing going forward how we can help supplement the earnings of those going forward in poverty sole source of income spouse or an extra income whatever it might be or they only worked forward the city for ten years. We can figure those things out. We have been going through some very complex issues and that seems to be the situation we continually ignore is the those that are truly in need. It matters to me. It matters to me that those who have dedicated their lives to serve the residents and then find it difficult to live week to week and we continue to put those burdens on them. That was the major concern I had with the retiree costs and adding on to the health care cost while simultaneously putting some of the burdens you know further burdens on our active employees as well. All in all I think that it's been very clear and I've been clear when we talked about measure B I was very clear about the legal issues and

that was justification I had and I think that we've already seen it playing out in the courts. We don't have the same legal issues when it comes to implementing a second tier, how we do have some control over just how it impacts those those that are most vulnerability. At the end of the day, where we end up, the means or the ends that we achieve are what is before us. The means speak to who we're and I think that we've as indicated earlier by chief Goede, people don't want to work anymore. We've achieved part of our goal when it comes to our finances, absolutely failed our residents and our community in creating a system that's efficient that actually wants people to come here that brings people here. So I hope going forward that we can find some consensus that at least has concern for those retirees that are in need. I'm not hopeful that's going to happen because it's never something that seemed to get any attention. But I just make that call as we go in this next budget cycle, that we determine maybe working with the retirees association those that may have retired a long time ago or more recently with the more modest pension that we can try to help them.

>> Mayor Reed: Councilmember Rocha.

>> Mayor Reed: Thank you, mayor. I'd like to ask in the future if we could include some form of retiree health care disability in every council item because I like the odds better with the number of councilmembers in votes here today. So in the future be, if I could ask the City Manager, thank you. At the last meeting I was one that asked for a deferral on this item, I wanted to get past measure B vote and now that we have this behind us I feel more comfortable making this vote and I want to thank my colleagues who unwillingly allowed that to happen but I hope they too feel a little bit better about the action in front of us. I want to thank Councilmember Kalra for raising those issues. Tie have bifurcate the issue I'm left with the decision here today. And I do want to say that I am a little uncomfortable with some this assumptions and public criticisms at a have been made. I know what it's like to not get your way on the council, I've been suffering for that for a year and a half now and I saw some of my colleagues suffer for that when we had the first vote. Hopefully what we take away from that 6 to 5 votes in my mind are not a clear victory. decisions in the future. So with that I'll be supporting the motion. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I just had a question for the staff and there was one lady mentioned about having an ordinance in place. I wondered if we -- if the council passed this implementation, when can we have all those necessary ordinance in place?

>> City Attorney Doyle: Councilmember we're working with counsel on this, we're using outside counsel to work on that second tier. We would bring this measure back I would envision second week in August. So it would be something that the first reading second reading would be in August, effective date would be 30 days after.

>> Councilmember Chu: First week in August?

>> City Attorney Doyle: There is a caveat, we'll run it by the retirement boards, the Federated retirement board specifically but that's our intent.

>> Councilmember Chu: And in the meantime we're still hiring people. What kind of retirement package do we present to them?

>> Alex Gurza: Yes, Councilmember Chu,.

>> Alex Gurza: Deputy City Manager. Until the ordinance is final and adopted any person we hire will go into the current tier of benefits. If the council approves this today as the City Attorney indicated we're already working on a draft ordinance. I have advised the Department of Retirement services and the Federated board of this potential action. They actually have a board meeting this month still and so depending on the status of the draft ordinance it is possible we could provide it to the Federated board after the June magnet to expedite matters but until the ordinance is effective any new hire will be in the current level of benefits.

>> Councilmember Chu: Thank you very much. I've been trying real hard to communicate to many of the constituents and residents and my colleagues, and the newspaper medias, that I really want reform. But that this is hard for me to support what I believe is kind of an out of sequence approach to this pension reform problem,

issue. I strongly believe that we should you know first get a second tier in place. You know, I've been bringing that up for ever since we passed measure W. Take the low hanging fruit, get the second place if place and then keep the bargaining unit at the table, and then start bargaining on tear pension and their retiree pension. So I just feel back they never give me an opportunity to vote in favor of the pension reform, although I do see the need of pension modification. I'm not going to support this -- the 11 items, I believe 10 items. But I know I'll be on the losing end. So I just wanted to communicate to the staff, as we move along, we're reducing the retirement cost. But how can we be competitive? You know, and to attract the quality people to San José, versus some other cities and the government agencies or in the private sectors? And I -- I got a hunch that we probably need to increase their paid salary. So we increase the salary, we reduce the retirement cost, and I don't want to see ten years from today, you know, you see the hockey stick charged for the salary, whereas the retirement cost is low. Because that would bring to a problem of the fairness of our current employee. You know, I talk about the competitiveness, with the other agencies or other cities or public or private. Not only address the fairness to our own employee, or in a few years, our new hires will end up being paid, just because we feed to attract them, their talent, so in a few years our new hire may end up being paid better than those people that work for us three, five years, it's a concern of mine. So I just wanted to, as we move on, we really need to address the issue of competitiveness, competitiveness, and then the fairness. And also, address the -- avoid high turnover rate. Because I don't think with a high turnover rate, would do our citizens any favor. You know, we need to retain our quality employees, that they are really our asset. Why we have some equipment, but the human -- we're in the human service business. And our employees are our strongest assets, is our tool to get our service to the people that in need. So I regretfully will not be able to support these many items here. But again I caution the City Managers and the staff to have a real long term plan when we attack this pension problem. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. So as is already been stated, the idea of putting a second tier plan together was approved by voters. It's something as the in front of us and all of us have expected to have to make some decisions on. And as a part of what we're voting on today again we're looking at implementing also a new lower cost medical plan. And I wanted to ask Alex some questions here in terms of how we've arrived at this

decision point where we're looking at doing -- we're faced with the decision of implementing which is certainly not something that is the most desirable thing. Would be better if we had something negotiated. So could you please give us an understanding of how we arrived at this point?

>> Alex Gurza: Sure, Councilmember Herrera. The negotiations over the second tier and also the health care plan were part of the negotiations that we have been participating in approximately in the last year the negotiations with the different bargaining units lasted for different period of time but approximately over an eight month time. Many of the units we were bargaining at the same time over the ballot measure and then over these issues as well.

>> Councilmember Herrera: Over second tier and the ballot measure?

>> Alex Gurza: Yes.

>> Councilmember Herrera: And how many tables how many units were bargaining?

>> Alex Gurza: It started out with separate tables. I'll let Gina you may want to summarize the bargaining process.

>> Gina Donnelly: Certainly. Gina Donnelly, negotiating tables handling separate tables. We negotiate separately with ALP which was the city attorney's union on issues related to the ballot measure as well as retiree hearing and the second tier. There was a coalition formed became known referred to themselves as the nonmanagement coalition, MEF C.O.O, ABMEI and retiree health care issues. And then we had the coalition that was all of the affiliates of IFPTE local 21 AEAAMSP and CAMP. .

>> Coal of reaching an agreement on the separate items as well as reaching an agreement on the ballot measure that went before the voters. Unfortunately we were unable to reach an agreement on either the ballot measure or

on the separate items. So since these items, the spins of the second tier or the then this is then the next step, it would be for your consideration for implementation.

>> Councilmember Herrera: So is there some mediation that fold after the negotiations were finished?

>> Yes. Absolutely. So when we reach impasse, when the city declared impasse then the parties can participate in mediation.

>> Councilmember Herrera: And can you just for those who are not familiar with labor negotiations impasse meaning?

>> Alex Gurza: Either party under our rules can declare impasse where we feel that further negotiation are not going to be fruitful to reach an are agreement. Then what happens is you participate in impasse procedures which is attempts to try to bridge the parties and reach and agreement. And mediation is that process that's used. Mediation is a process that is private, where a mediator from the state is assigned and comes down and meets with the parties to see if they can help the parties reach agreement. We participated in mediation in the various coalitions I mentioned earlier. But even in help with the state mediation service we were unable to reach agreement.

>> Councilmember Herrera: How many mediations approximately?

>> Alex Gurza: In terms of sessions or --

>> Councilmember Herrera: However you want.

>> Gina Donnelly: Absolutely and a total of seven with the IFPTE coalition. like.

>> Alex Gurza: And then I brief about with Police and Fire there were several because we participated with in state mediation with Police and Fire and at their request we actually both shared the cost of a private mediate so there were several sessions with the state mediator with Police and Fire and then with a private mediator and again unfortunately not able to reach agreement and Gina you handled the ALP mediation as well.

>> Gina Donnelly: Yes, actually when we mediation sessions the six I referred to ALP was a part of as well.

>> Councilmember Herrera: So we're here today within I guess in your language a last best and final offer.

>> Alex Gurza: Yes again for those not familiar to your point Councilmember Herrera with the process, after the impasse procedures, with the nonsworn bargaining units or the nonpolice and Fire bargain units the agency the governing body the city council can decide to implement its last best and final offer and that's what is before you today.

>> Councilmember Herrera: And so we have today. And from what I understand from our discussion prior to the -- to the measure B election portion, it was stated that the -- what we're seeing today are the limits of what is proposed under measure B. Can you just talk about that a little bit.

>> Alex Gurza: Yes, absolutely. So the ballot measure did not determine a second tier for new hires but set parameters, or sort of maximums that the benefits could be. They could be less than the maximum. What's before you today is the maximum benefit allowable for new hires under measure -- under measure B. So this is an example of something where we didn't -- the city council and the city moved quite a ways from where we originally started. Because in some case you could have done a second tier where the new hires were put into Social Security and a 401(k) type plan. And after some discussions, the issue of competitiveness came up. That was clearly an issue that has been on our minds and so Wass before you actually is a defined benefit for new hires. So it is from a comparison to the private sector, it is very favorable, compared to the traditional private sector model. So it is the maximum that measure B allows and that is what we had proposed, and that is what is before you.

>> Councilmember Herrera: And so we could have gone, we could have eliminated the defined benefit program.

>> Alex Gurza: Yes absolutely.

>> Councilmember Herrera: As you set it could have been sectors and a 401(k) but we kept the defined benefit program and that's the direction that came from this council?

>> Alex Gurza: Exactly. And that was part of the movement during the bargaining process because originally the direction was more towards the traditional Social Security and defined contribution model. And through the bargaining process we ended up moving it with more generous benefit benefit in our last best and final offer.

>> Councilmember Herrera: In terms of the lowest price health care plan can you talk about that in terms of what the option were? And how we're trying to address health care, the rising health care costs and what are our options there?

>> Alex Gurza: Yes I mean there's no question the rising health care costs not only affect San José as an employer but our employees and it's a statewide nationwide problem. One of the things in the try to reduce our health care costs. As part of that we were looking at lower cost health care plans. And again there isn't a question that a lower price plan when you look at plan design is going to change coverages. And so we worked with our benefits staff in human resources, working with the plan providers, primarily Kaiser, to look at different plan designs that would be less expensive than our current one. One of the things to point out however, is to think there is a perception that the Kaiser plan that is before you is the least expensive Kaiser plan available, and that's not the case. There are several other plans that we're aware of and maybe more that actually are less expensive than the one before you today. And when it means less expensive that's going to mean more out of pocket or less coverage. And so there is a significant change in the plan. We were looking for win that had achieved a certain target savings. It, under the 2012 estimates, it reduces the premium by approximately 24%.

>> Councilmember Herrera: And it's those retirees who are I would say it impact -- the greater impact would be felt between those that are not Medicare age. Can you speak to that a little bit and then when folks reach Medicare age what would happen?

>> Alex Gurza: They, we have a somewhat unique structure for our retiree health care benefits in that retirees get 100% of the premium for the lowest priced plan that is available for active employees. And that then drives the maximum contribution that a retiree could use towards a plan. And so the largest cost for retiree health care are the pre-Medicare years. The number of years between our retirement age and Medicare eligibility is the most expensive because it's the plan premium is going to be much higher. Once a retiree becomes Medicare eligible the Medicare kicks in and then the cost of the health care plan is significantly less. Now, if a -- a retiree has a choice among many different plans that are offered. And when the retiree is Medicare-eligible even more different Medicare supplemental plans. So if a retiree when they turn 65 chooses the lowest priced Medicare supplement plan the retiree would still pay zero. If they choose some of the other more expensive plans there would be a cost. Again a lot of it is dependent on a retiree's individual choice and also their geographic area. For example if a retiree retires from San José, moves outside of a Kaiser area for example, they would not have the same choices that somebody else. So again the impact on individual retiree choice is going to be very specific to that individual retiree.

>> Councilmember Herrera: And our retirees don't pay, they don't pay health care fees for the health care, for the health care insurance. Once they're retired.

>> Alex Gurza: Well they do -- so yeah. Right now for active employees they are sharing the cost of 15% of the premium for the lowest priced plan.

>> Councilmember Herrera: Right.

>> Alex Gurza: When you retire the lowest price plan is fully paid. So the benefit actually gets better when you retire which is very unusual. In most cases the retiree health care is less generous than the active glow health care. So again this is if the retiree chooses the lowest price plan.

>> Councilmember Herrera: Lowest price plan they don't continue to pay the premium.

>> Alex Gurza: The lowest price plan.

>> Councilmember Herrera: What are the other states that --

>> Alex Gurza: I don't have a full plan but our among most generous in the state and that is because many retiree health care benefits are a fixed dollar amount for example or a stipend that's put forward and the retiree has to bear the full difference, that is a very common benefit. And the other benefit is it's dependents they would provide the difference between the lowest price plan and care for dependents one person or a family coverage. So that is what makes our retiree -- one of the things that makes our 28eer health care benefit so costly.

>> Councilmember Herrera: And our specific amount of hearing coverage so it's tied to the cost increasing cost of medical care.

>> Alex Gurza: Absolutely. Very good point Councilmember Herrera. It is completely dependent on the rising cost of health care. And so and that's what we've seen dramatically, like everybody else, the dramatic increases in the cost of health care. But a retiree again who has the means could buy up from the plan that's before you today and buy up to another Kaiser plan for example. Again, there is a cost associated with doing so.

>> Councilmember Herrera: In terms of retirees there are going to be retirees at different level of income I think that's discussed and there are some that have much less ability to afford to buy up if they wanted to. How can we -- how can we know -- without having a means test how would we know who those retirees, what would be the

factors that we would have to stay into account if we were concerned about, if we wanted to address some of the issues that have been raised earlier about retirees who may have been impacted in terms of the cost? Where what are some of the variables?

>> Alex Gurza: Again, services of the variables retirees can be in very different situations. So for example, there are especially in our Federated retirement system, the years of service someone put in, it can vary dramatically, thus their pension, and for retiree health care you have to work here at least 15 years. An employee who worked here for 15 years versus 30, is getting the same health care benefit but potentially a dramatically different pension benefit. Another factor is many of our employees have worked in PERS agencies before coming San José or leave to work in PERS agencies. So therefore, the total combined service is much higher than it may seem when you only look at San José. They may be getting a pension from us, pension from PERS. A lot of these factors would have to be known to know an intact on an individual employee. Some tell have depends kids in college some don't. Again it would have to really be assessing all of those factors to really know.

>> Councilmember Herrera: Thank you. I'll be supporting the motion. It's not a perfect solution but I think we need to move forward and I think we need to get to some place so as we hire new people we need to be able to realize the savings. Because we do need to hire new people and we need to make sure that we can do this quickly so we can realize those savings and be able to keep moving towards financial stability. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. I just wanted to thank staff for all your extraordinarily -- all your extraordinary work through an extraordinarily difficult time in getting to this point. And I know none of us wants to be in a position in which we're based with a decision to implement. But I really do believe that our team has based in an incredibly professional way and very challenging circumstances. So I really appreciate the hard work. I wanted to -- I think reflect away I think was implicit in Councilmember Rocha's comments, which was now the election's behind us there was something of a call for more civil discourse here on the dais. And I think throughout this time compared to cities like Oakland or San Francisco I think we do pretty well by comparison. But there are

times when I think folks on both sides have jumped out and questioned motives or this motion these are difficult votes, this is a very contentious issues. All these issues are related to the very difficult decisions we've had to face and I appreciate Councilmember Rocha's willingness to support this motion recognizing that it's really critical for us to be able to sustain services in this city.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. You know, we sat here a few months ago as Councilmember Rocha had mentioned, and he put on the table to defer this, let the vote happen, let the voters speak, and they spoke. You know and that's our democracy. I think I commented, that's our democracy. Like it or not, we have the opportunity to let our voices be heard at the ballot box. Did everybody speak? No. But the vote happened. I'm disappointed that this -- that we don't have the able to bifurcate the motion. I think that -- I don't think voters voted to put the most destitute retired seniors that gave their life to this city to be one illness away from, you know, financial ruin, I don't think they voted for that. But unfortunately that's what we have in front of us. You know, I would just hope that as we move forward, that something -- something can be done to continue to look into you know who are those seniors out there, you know, the retirees that really, you know, they could be one, you know, one small illness and one right after it, away from ugh having to give up their home or, you know, or something. I mean, who are we to judge what someone's condition is? You know, one human to the next. We we don't have that right. We don't know what people's situations are. So I really believe that instead of for us to try to make ourselves feel better and rationalize this thing out, that we really need to put some time into looking at you know really who are the ones that are really going to need to be looked at. And assisted. It's not a good day today. Thank you.

>> Councilmember Pyle.

>> Councilmember Pyle: Thank you. It's a very difficult day. And I just like to say that I find having notes helpful, while preparing for council. Jot down thoughts and questions and ideas. And I do this to be more complete and more thoughtful from the dais. Because words matter. Away we say about policy, choices matter. How we choose

to address each other matters. And there will be times, there have been times when we just don't agree. It happens frequently. It does make the difference between democracy and dictatorship. And when we do disagree we should do so respectfully and in accordance with standards of professional conduct. Courtesy cusp to the press and on blogs is I feel beneath the dignity of office. with that said, I would like to thank you, for all the hard work you've done. It's certainly not fun, sit? I'm sure you don't leap out of bed every day thinking, oh wow, we get to do that again. In reference to current employees, they are going to, if they have turned 65, will have to sign up for Medicare A and B, is that correct, by July 1st?

>> Alex Gurza: Councilmember Pyle, that's applicable to retirees. It's currently the practice right now is because the plan saves significant funds when somebody goes into Medicare so it's simply documenting that requirement and having a consequence if that doesn't occur.

>> Councilmember Pyle: Right. So if it's not done within six months they will no longer have coverage from the city, is that correct?

>> Gina Donnelly: That is correct. Until they do sign up. As soon as they do the coverage and the Medicare supplemental plan will then provide the coverage for them.

>> Councilmember Pyle: How will they know, are they reminded by their retirement group?

>> Gina Donnelly: Actually, the retirement system does a phenomenal job of letting people know when their time has develop up.

>> Councilmember Pyle: Thank you it has been tough. 10% cuts that have been going on and on for four years and the fact that most people are basically taking a 14 to 17% cut in what it is that we've been able to offer. That's not fair. Retirees on the other hand do at least get 3% every year, others don't. I will be on Medicare at the end of the year as well. I mean it's just a fact of life. It's not wonderful. But I don't know. I'll tell you, I'll come back and let you know what the experience is like. But everybody has to have a form of insurance. And hopefully, the federal

government will do a better job of putting together a national health plan. I think that's going to be helpful, as well. So it is with those thoughts that I, too, will be joining in agreement. Thank you.

>> Mayor Reed: Councilmember Oliverio. I'm sorry, pass?

>> Councilmember Oliverio: Pass.

>> Mayor Reed: Okay, pass. Councilmember Kalra.

>> Councilmember Kalra: Maybe someone that's watching may not have that understanding that when we change the health care plan it does have impact on retirees and that's why there's been sentiment of concern for the retirees. I just want to make that point, it doesn't seem like it's making sense, the contract changes to new employees, what does it have for retirees, for someone who doesn't have the understanding, that's why we are concerned about those especially those who are on the lower income bracket of our retirees and now we're going to have a much healthier that's correct cost to is reconcile. And I think that as was brought up with the bargaining happening at the same time over measure B in the current contracts that really made a convoluted process. I imagine we will probably see litigation after today, that's likely to happen, that must be something we must all be aware of. And yes I do everything I can certainly to be out in the community and listen to what the constituents have to say. But we always do what is based on our study and our research and our legal analysis what is in the best interest of our residents. If I were to vote on measure B today I would vote against it because of the legal concerns. It doesn't change because you know in a very heated campaign where there was a lot of misinformation and hundreds and hundreds and hundreds of thousands of dollars spent and it was passed, it is still not something in the best interest of the city. I make that point because it's simplistic when you're an elected official to say my constituents don't want this, my constituents don't want that. There is much more analysis required when we make decisions. Every one of us make decisions that you are going to have some folks in the community not happy with. We can never make everyone happy but this is beyond that, dealing with both the legality and the morale, being able to attract talent, that train has left the station I think we're beyond that point and it's already been indicated in a number of our departments where we're going to have major issues in terms

of trying to attract talented people. And a couple of years ago when I came to implementation I urged a delay so we can come to an agreement. Vice Mayor Chirco showed great leadership and we were able to come to grate. I don't think that's going to happen tonight, it's just not. We are so far removed from the ability to come to agreements, I think that's reflected in the way we have our discourse ridiculed by people up here as well as out in the public even though I think that as has been indicated by how much I talk that there's no one that makes decisions that's more clear at least tries to make it as clear as possible why I make those decisions. It's always in the best interests of our community and our residents. It's a shame that I get ridiculed for it or anyone gets ridiculed for the position et cetera they take if it's in the best interest of the community. Hopefully I feel as much as I would like to feel that things will get better and we'll have a better discourse which I hope we should, I'm not hopeful begin the track record that the city has had over the past couple of years. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Councilmember Herrera helped me bring back some memories here, but coming like I said, what's our first defined benefit proposal looks like compared to the last final best offer, last, best, final offer? The city side which --

>> Alex Gurza: Excuse me, Councilmember Chu, I was just conferring with staff. The Federated bargaining units our initial proposal was a Social Security and a defined contribution plan.

>> Councilmember Chu: Right but what does first defined benefit proposal look like compared to last best and final?

>> Alex Gurza: There were modifications but I know for certain one of the proposals where we started out, the accrual rate that would you earn for every year of service was 1.5% for every year. It now is 2%. There was also a change to the age of retirement where we started out having to be older to retire, and we lowered it.

>> Councilmember Chu: Lowered it to 65, we started out -- we started out with --

>> Alex Gurza: Excuse me for second treer it's still 65. Where we changed it is yeah in a couple of places. We made various changes. To answer your question I think if you took where we are now to where we were, we started out in a defined contribution plan people with Social Security and end up with a 2% accrual rate and the primary change was making the accrual rate higher. The one and a half to two was the primary change. Also the cola we started out Gina is reminding me at a 1.5% for new hires based on a CPI and it ended up as 1.5%. Those there may be others but those are the primary one.

>> Councilmember Chu: The cola from 1 to 1.5 and accrual rate from one and a half to 2?

>> Alex Gurza: Correct.

>> Councilmember Chu: All those sessions of negotiation and numerous sessions of mediation, that is what we have accomplished. Great I want just to clarify that. Thank you.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Just want to say since it has been brought up again and again where San José ends up being a place where no one wants to work with that said, looking at the labor statistics there's about 133 million people that work in this country and they all work for a variety of organizations milk and private and all those organizations have to manage salaries and benefits to City of San José will manage that challenge and compensate positions that are skilled and technical and we move on. But this is a long issue we've talked about way too long, we want to get past these items and start rebuilding and look for the dialogue on August 7th.

>> Mayor Reed: I want to give the City Manager the last word on this item.

>> Debra Figone: Thank you. Clearly the council has had to make a lot of courageous decisions all along the way no matter what side of the issue you've been on. One thing that I think it's important if this does pass, our

employee contribution at least for Federated and I think probably would also occur in Police and Fire we have other constraints but will be 15.5 out of pocket by 1314. that is unsustainable. Around if we are concerned about being competitive we need to lower the cost to our employees. With this being passed, if it is, we will be able to have it reflected in the actuarial evaluation that the boards will undertake. And I don't think the costs will come down enough but it will certainly start that process. And begin to mitigate the effects on our employees. So I think it's very important that the council bear that in mind also as you're making your vote. Thank you.

>> Mayor Reed: Thank you. I think that concludes our debate and discussion comments. On the motion, all in favor? Opposed? Count one opposed, Councilmember Chu opposed, Councilmember Constant absent, abstaining, recusing, whatever the appropriate term is, he's not here. So that takes care of items 3.7 through 3.16. I know there's a Philippine flag raising that's going to start soon, we'll lose some councilmembers at some point, there are still items we need to get through, I think we can get through those quickly if we keep council comments to a minimum. I don't think there's much public testimony on the remaining items so I think we should get done by 6:00 so we can do the flag raising. I'd like to take item 5.1 the Mise park sports project first because I know we're going to lose Councilmember Constant. So on 5.1 the Mise park project, Councilmember Constant.

>> Councilmember Constant: I'm not sure if we have a staff presentation or not but I would make a motion to approve.

>> Mayor Reed: Motion to approve. On the motion all in favor, opposed, none opposed, one opposed, Councilmember Kalra opposed. Motion carries. All right, now 3.17, compensated time off and city wage contracts. I think there's a staff presentation. Councilmember Rocha did you want to make comments before or after staff presentation?

>> Councilmember Rocha: I'll go after, thank you mayor.

>> Dave Sykes: Mr. Mayor, Dave Sykes, director of Public Works, we were willing to forgo presentation if council is okay with that.

>> Mayor Reed: Exercise.

>> Councilmember Rocha: I'll thank Councilmember Liccardo in supporting me in a memo and I'll move approval.

>> Mayor Reed: Motion is to approve the recommendations set forth in the memorandum from Councilmember Rocha and Liccardo.

>> Councilmember Rocha: And thank you to city staff for their work on this. I appreciate it.

>> Mayor Reed: We have requests to speak, we'll take that now, Raphael Ramos, Emily Gatfield and David Wall. Please come on down.

>> Hi, my name is Rafael Ramos, I'm here to speak on behalf of the custodial workers here in the City of San José. I would like to thank recycle plus! for taking leadership and looking forward for the custodial workers here at City Hall and the entire City of San José who are in the limbo regarding their benefits sick days and holiday pay as well, this consolidation will be able to help workers maintain their benefits. Thank you.

>> Mayor Reed: Emily Gatfield and David Wall.

>> Thank you for the opportunity to speak. This is -- I'd like to start off by thanking Councilmember Rocha for bringing this up. This is something that is necessary. It's the right thing to do. It is the right thing to take care of the people working for the benefit of the city and the more we outsource, the more we use contractors and contract employees, the more the city employees are going to be covered under the living wage policy rather than city payroll. I think it's the right thing to do. I hope that you all will support this. We don't want the people taking care of us to be faced with situations between where they have to choose between losing a day's pay and perhaps leaving a sick child at home. Thank you, Councilmember Rocha and thank everyone for the opportunity to speak.

>> Mayor Reed: Councilmember wall --

>> Councilmember Rocha: Councilmember wall, hold on, that's not part of the motion.

>> No, besides it would be better effect as mayor wall but nonetheless. We note today that council does speak with a bifurcated tongue. The last few positions that you just stripped city employees and retirees of all benefits or most of their benefits and now we have a gifting of public money. Now, let's look at this. Compensated time off. I've already discussed that the prevailing wage and living wage ordinance artificially inflates anything to do with the city for the taxpayer. So you could build a community center but not have money to operate it but you're paying a lot of money for the prevailing wage, the office of equality assurance. But why are you doing this? This is hypocrisy. You are giving public money away that shows in reality either you've been lying and there's no really fiscal emergency, you've got plenty of money. You've got a contradiction in materials here. But I will give accolade to Councilmember Rocha. As a student of government, I have never seen a councilmember give away taxpayer moneys so freely with the short period of time that he has in office. He has great, great cans of becoming a mayor for this city for that. And I appreciate having seen this deferred from last week, with measure B, to coming in after all the things you've done to previous, you know, union groups and whatnot. No, you can't 74th this. This is a gift of milk money and there's no construction for it.

>> Mayor Reed: Councilmember Rocha back to you.

>> Councilmember Rocha: I'm not going to reply to that, no.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: I just wanted to reiterate my opposition to this. I opposed it when we talked about it before. I think that you know, we continue to raise the cost of doing business. This is going to add \$200,000 a year to our costs at a time when we have gone through all the pain of trying to reconcile our budget. You know,

there's -- I know that there's people here who think everybody out in the private sector is evil, I've heard it many times that we can't go the direction of the private sector, we have to be dint. But out there in the real world there are jobs that people do where you don't get time off or it might take a year or two before you earn a certain number of days off. And I just completely disagree with the direction we're going on this. We continue to keep doing these little things to increase the costs. And when the living wage ordinance was organizedly put together, the discussion about the days off was there. It wasn't calculated. In the fact that it in the costs and I just think that it's the wrong way we go. I know I'm outnumbered but I have to state my complete disagreement with it.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you Mayor Reed. I won't be supporting today's initiative. I feel as Councilmember Constant and future mayor wall says goss cost savings in providing services to residents in a different model. And the reality is that's why we have a living wage and prevailing wage just to make it really easy. It's a threshold of compensation and all those other details are things that are tackled by federal and state law. We could decide to get into a company answer health plan, other things. In the end it's a simple thing about living and prevailing wage, recognize things other way but trying to stay consistent on cost and money I can't support this.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: I disagree with both of you. I think there should be some bear minimum of digit tonight with worth. child's sick at work or at school. Have the opportunity to actually in addition to make a living wage, to actually raise a family in this valley and having a few days off and ensuring that those that we contract with, ensure those days off that clean our bathrooms in this building, for those that maintain our landscaping throughout the city and the number of other, the graffiti abatement, those that clean the graffiti in our community, I think that's the least we can do and this is one example I think that you know pointing to those that are at the lowest rung of the private sector that wouldn't even get days off is not the ones to point out. It is those responsible private sector

employers that ensure that those people have some time off to spend with their money in order to have a decent living.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. I'm concerned about when we look at a company and we're talking about asking them to give more compensated time off. I want to know, I want to understand that company and what else they off. I know one of the contractors who does business with the city has said they would like to offer more time off but they also struggle with paying for medical benefits and they want to continue to pay for medical benefits for their employees. And so I get a little worried that we're going to be involving ourselves in micromanaging these businesses and not really understanding necessarily the costs and the kinds of things they're trying to do for their employees and it inadvertently causes harm. this employer, I want them to continue to pay medical benefits. I know for my business I did provide medical benefits, it was very tough for me to do that but I feel that having medical care is essential for everyone and I believe a right for everyone so I did provide that. I know this is very costly. So if a company is providing those benefits and then is being challenged to do these other things I get concerned about that. Also, I want to ask staff, I know we're leaving the airport employees out of it. Why are we not applying -- or airport contractors. Why are we not applying this evenly, that's another thing I wanted to ask.

>> Dave Sykes: Councilmember, on your first point I wanted to address that and make sure you are aware that the living wage, there are two rates to it. One rate for if the health provisions are provided and one rate if not. I think that's how the original measure was decided in terms of addressing the hearing issue. The Councilmember Rocha has proposed that we not address the airport living wage at this time. I think more staff work would needed to be done to look at that. Recently, the council adopted a special ordinance for the airport for the competitiveness of the airport. And so I think at this time, we were looking at sort of a simple way of implementing a minimum number of days off for city type contracts.

>> Councilmember Herrera: It's simple but it's not across the board. It's only going to apply to contractors that are not at the airport. Simple but maybe not fair.

>> City Attorney Doyle: Council I think part of this first of all it is a resolution at that time city has not an ordinance. The ordinance is unique to the airport, that's a technical point. The city money that's used for contract services such as janitors or any other type of facility where we require the living wage be paid, that is somewhat different than the airport situation where we're requiring airlines, not city money, vendors, rental car companies anyone who's doing business out at the airport to pay a living wage. And what is one of the reasons and I think today's point about more staff work is that was carefully negotiated particularity with the airlines and if we wanted to come back and revisit that I think we'd have to go back and the director and his staff would have to go back and revisit those issues with all those companies. Because there was a lot of discussion with labor, with the airlines. And city staff to craft that compromise. And if the council wants us to go back and revisit it, we can but it's a much more difficult nut to crack.

>> Councilmember Herrera: I'm just pointing out we're not -- we're only addressing partial, not everything, it's one of the concerns I have. In terms of our living wage in looking at companies that provide medical care and don't that's factored in the living, the living wage itself is that correct?

>> Dave Sykes: That is correct.

>> Councilmember Herrera: In San José how does our living wage compare to others?

>> Dave Sykes: Our living wage tends to be higher than other jurisdictions.

>> Councilmember Herrera: I'm proud of that actually. I just get concerned that I think the living wage itself is a great tool and I think that if we don't think our living wage is high enough maybe we should look at that as opposed to trying to get into the details of the benefits. I'm just very concerned, I want companies to provide medical care, I want them to be able to have that flexibility and I don't know that we understand enough about

these companies to be able to make that decision. However the living wage I strongly support and if we think the living wage is not enough I think we need to address that.

>> Mayor Reed: I am going to support the motion. I think Councilmember Rocha and the staff were trying to figure this out in a simple way. This is a reasonable solution to a problem we could have made much bigger much more difficult and we could have spent a lot of time and effort to get to a reasonable resolution so I think we've got that. It does only affect people that are contracting with us. As opposed to people at the airport that are running their businesses. So it's a relatively narrow requirement. But certainly one that I'm going to support in the form of the motion that Councilmember Rocha has put out. And I think I got the last word. Okay. Unless are in Councilmember Rocha wants it. Okay, we'd just like to get to the vote. All in favor, opposed, I count one two three opposed that would be Oliverio, constant and Herrera opposed. Motion carries 8-3 vote. We'll move now to item 4.1. Actions related to the expansion and renovation of Parque de los Pobladores by 1stAct Silicon Valley. We had a lengthy presentation on this a few weeks ago. We sent staff out to do some work and they have done some work and I think we'll get a one slide presentation is what I heard.

>> Motion to approve.

>> Mayor Reed: Motion to approve. City Attorney.

>> City Attorney Doyle: I just want to note for the last time, we did this last time this is a proposed delegation to the City Manager. To note, similar to the rotary Councilmember Liccardo the City Manager and the chief development officer are all members of a catalyst group which advises 1stAct, just to disclose that, they are not precluded from participating but just to disclose they are members.

>> Mayor Reed: So disclosed. Motion to approve. Councilmember Kalra.

>> Councilmember Kalra: I was going to ask Sam, anything that resulted from the charrette? If you could simply summarize it.

>> Councilmember Liccardo: Sentence or less, Lee Wilcox and everyone involved were masterful in getting to what I believe was a consensus among the three dozen parents in that charrette. So it was quite impressive to see it actually happen. The result is this beautiful triangle above my head. Simplicity is easy to get consensus on. It was not an easy consensus, I know that.

>> Mayor Reed: I want to thank everybody who participated in the charrette. All the council discussion and still participated in the charrette. Because it seems like we've got a solution that allows us to move forward, I certainly would like to thank 1stAct to chase down the money and participate in this the grant from art place we appreciate that and Councilmember Liccardo and his staff who have stayed engaged in this. And will help bring it in with that I'm going to support the motion. On the motion, all in favor, opposed, none opposed, motion is approved. Item 4.2 is an ordinance amending the sign code.

>> Councilmember Constant: Motion to approve.

>> Mayor Reed: We have a motion to approve the sign code. I think we'll have some comments on this starting with Councilmember Pyle. This is a hurray day for me. I've been working to get digital signage in my district for probably seven years. I'm glad we've arrived at this point and I would like to make a motion to approve.

>> Mayor Reed: I think we have a motion already.

>> Councilmember Pyle: Oh, sorry. Do you need a second?

>> Mayor Reed: All right, we have some people who want to speak. Vice Mayor Nguyen did you want to address a couple of things first?

>> Vice Mayor Nguyen: Yes, thank you very much. I just wanted to thank staff for the supplemental memo to include, to begin the work on the signage on gas station canopies. Obviously this is a very important issue. We're

not really changing the physical aspect of the signs, we're just adding more language or wording to make it more visible so that customers or consumers can clearly identify the various businesses. So this is something that I fully support and am really glad to see that staff has started working on this and it will be coming back in early September so we can take a vote on this. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: I just wanted to briefly say thanks. You all know that I love signs and it's so good to see that this council has been so much more aggressive in dealing with our sign code issues and modernizing it and giving people the tools that they need to succeed in business. Also I'm glad that we're able to deal with the gas station issue because I know we spoke about it briefly at rules but I know that's been an issue for several of miss businesses in my district. my businesses in my district. I know there's more to come. We will keep getting the sign code until it's completed, I know there are a couple of more phases but I'm happy that we're moving through this.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you mayor another opportunity to reward those gas station owners that are going to invest in their properties. I know that several years ago, when this council and before that the Planning Commission worked on trying to give tools to gas takings owners to redevelop and beautify their facilities, that was one of the stools. And if we can give them every opportunity to be able to make themselves more visible and their neighborhoods more pleasant this is a step in the right direction. So thank you.

>> Mayor Reed: I have one question for staff and that is, now that we've done all these sign code amendments, I forget how many we've done, phase one phase two et cetera and how much more we have to go I'm interested in how that's affected permit processing for signs. I'm hoping it will allow much more to be done over the counter so people can understand the sign code which is part of our objective in redoing this and make less time for processing. Laurel would you talk about that?

>> Laurel Prevetti: Certainly. Laurel Prevetti, assistant director of Planning, Building, and Code Enforcement. The improvements and the amendments that the council has been adopting over the past few years has in fact added much more signage opportunity for our businesses. We do have some classifications of signs that do require a little bit more design review but again that is because we want to make sure the quality of our community is really upheld. And those are the ones that need a little bit of architectural design and the outcome has really resulted in higher quality signage for the city. But there are only one or two sign types that require that. We do look forward to coming back in early September to address the gas station and some other minor changes. We're also continuing to work with the attorney's office on other code changes and we very much look forward to the opportunity to reorganize the sign code. So ought of us can easily find the provisions that we're looking for. Thank you.

>> Mayor Reed: Thank you. We have some folks that want to speak on this. I just want to make sure everybody understands away the motion contemplates, which is bringing back the gas station canopy sign issue to us in September. Right? Maker of the motion? I get that right, yes? Okay. Public testimony. Art Calderon, Torres Marquez. And we're almost out of time so I'm going to limit the comments to one minute and looks like everyone wants to talk about gasoline station canopies.

>> Good evening, mayor and everyone here. All councilmembers. I'm here to support the memorandum supplemental for this signage. And excited to start improving canopies in gas stations with the architectural signage. This means a lot to me because I've invested over millions of dollars in improving my facilities. I was born and raised here in San José so I'm a San José native. And a lot of the questions I ask myself is away can I do to improve San José? This is one of them. I attended elementary school, I attended high school here in San José. I attended higher education. And --

>> Mayor Reed: Sorry, your time is up.

>> Thank you for your support and I look forward to changing San José with this. Thank you.

>> Mayor Reed: Dolores Marquez, Danny Garza .

>> Good afternoon, thank you for giving me this opportunity to speak to you tonight. I'm here in support of the memorandum that came to you but I do have a question why this was not dealt with more speed. I understand the family has been waiting for over two years to finish this project. And they keep -- they keep going into these roadblocks. And so that's kind of disappointing and then I read that this is not going to come back to you until the fall. And so every day that is missed or that is held up, it means less you know, for the Calderons that is running a business, a small business. Mayor, you state that San José is a business-friendly city. Let's be friendly to those that are already here established. So please consider that, thank you.

>> Mayor Reed: Martha Corilla, Danny Garza. Michael Del Ola.

>> Mayor, city council members, nice to see you again. Just want to be supportive, the process was not helping you and hopefully it will from now on. Hopefully there will be no more roadblocks. Please keeping to improve this small business should not be held up by some of your rules and regulations as was stated by a couple of other councilmembers thank you so much and we'll see you. And by the way, I'm wearing a cap on May the 4th I was there when Cesar Chavez christening of the boat was done in San Diego. Just wanted you to know.

>> Mayor Reed: Danny Garza, Michael Ulo-a, Alofa Talivaa.

>> I'm here for M AAPA, thank you city council and staff for speaking with the community and listening. This issue is very important to us. We have encouraged staff to move more quickly on the sign issue but we'll take September. Being right off 101, and being a gateway to the Eastside, I think signage needs to be -- it needs to be there, it needs to be larger. People need to recognize that we can provide beautiful signage, beautiful landscaping, and quality businesses. Thank you.

>> Mayor Reed: Michael De Uloa, Alofa Talivaa, David Wall.

>> Good evening, mayor and councilmembers. Ah Alofa Talivaa and I move over here to advocate for small businesses in the community and thank you for this opportunity for us to come and speak. And I'm here to speak on the ordinance amending sign code and we are here to support the Calderons. I know there's a lot of times mayor you've been asking them when is going to be the grand opening. This is why they get stuck because of the sign for the gas station canopy. That is the only part that is missing that they are asking for to put it on to complete the project. And you know, what in taking into considerations, you know is the money out of their pocket that is using for their finance their project. You know, the city is not helping them from any grants or whatever. You know to help them finance their project. And you know, they're very humble people and they're supporting the community. Any time we have a huge event in the community, they come out with open hands before we ask. They are there, what can we do to help? What can we do to help the community.

>> Mayor Reed: Sorry, your time is up.

>> So please take into consideration as soon as possible. Thank you.

>> Mayor Reed: Michael de Uloa, our Uloa, you're going to tell me how to pronounce your name sir.

>> Without repeating everything that has been said all I can tell you now is the Calderons are undertaking a large project and this project has become such a beautiful thing that I think the City of San José should admire it. What they're asking at this moment is just a small deviation of the code that you have and hopefully that you can approve this, thank you.

>> Mayor Reed: David Wall.

>> Does this apply to billboard signs Mr. Mayor?

>> Mayor Reed: It's the sign code ordinance. It applies to a lot of stuff.

>> Have good. The questions that I have can you take an existing billboard and change the structure so it can rotate and also be on an angle. I don't know if that's possible with the sign code. And also can people who live in the flight path of San José international put high quality digital signs on their roof to sell advertising to incoming flights. I'll ask the director of PBCE if that's possible.

>> Mayor Reed: That concludes the public testimony. We have a motion, on the motion, all in favor, opposed, none opposed, motion is approved. We're almost done, item 4.3, ordinance amending historic property contracts. May I have a motion to approve? On the motion, all in favor, opposed, none opposed, that's approved. 6.1 a hearing on reporting liens on property for reimbursements of cost of sidewalk repairs. I heard a motion, did I hear a second? I got a second. A motion is to approve. All in favor? Opposed, none opposed, that's approved. 9.1, actions related to the successor agency to the Redevelopment Agency. We have a motion to approve by Councilmember Pyle. On the motion, all in favor, opposed, none opposed, that's approved. Open forum. Last item on the agenda. Mr. Wall.

>> We heard earlier today of calculations and predictions for retirement and retirement board activities. Investments, rather. Mr. Mayor, would you consider asking the pointed question some what would happen to all the City's investments the if the euro zone unraveled and collapsed? Thank you.

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