

The following transcript is provided for your convenience, but does not represent the official record of this meeting. The transcript is provided by the firm that provides closed captioning services to the City. Because this service is created in real-time as the meeting progresses, it may contain errors and gaps, but is nevertheless very helpful in determining the gist of what occurred during this meeting.

>> Mayor Reed: Good morning, we have a quorum. And there is no labor update. And I have no requests from the public to speak. On anything. So we're adjourning into closed session. We shall return at 1:30.

>> Mayor Reed: (gavel strike) Good afternoon. I'd like to call the San José city council meeting to order for September 11th, 2012. I'll start the meeting with an invocation. Councilmember Herrera will introduce our invocator.

>> Councilmember Herrera: Thank you mayor. Today I've invited pastor Ed Snyder of the east valley Pentecostal church to give our invocation today. He celebrated his birthday yesterday, so happy birthday, Pastor Snyder. Pastor Snyder has been in the ministry for 32 years and has become a familiar face in our Evergreen community. In my time in office I've been very grateful for all the incredible social work that Pastor Snyder and the congregation at East Valley Pentecostal church have done in our community. This is a very impressive church with thousands of members, religious services in English, Spanish and Tagalog. East Valley Pentecostal also performs more than 34 ministries in the community. Pastor Snyder is a leader at East Valley and Evergreen. He began the Life in Focus education ministry which provides residents, teaches life skills around ex-offender re-entry, anger management, and conflict resolution and substance induce. Pastor Snyder and East Valley Pentecostal do so much for the Evergreen community, and I'm so glad to have my good friend here today to share words of wisdom and spiritual guidance on this, the 11th anniversary of the 9/11 attacks on New York and Washington. With that I invite Pastor Snyder to perform the invocation today.

>> Thank you, Councilmember Herrera. We want to give honor to the mayor, vice mayor, and city council today. I'm very honored to be here today. September 11th, 2001, our nation came under attack by terrorists. They misunderstood our liberty and freedom as weakness. It was a very dark time. It brought our nation to our knees, but it also brought us unto a unity like we haven't seen for a while. On September 20th of that same year, in a joint session with Congress, then-president George W. Bush addressed the issue and the things that they were facing that day. And he said our nation, this generation, will lift the dark threat of violence from our people and our future. We will rally the world to this cause by our efforts, by our courage. We will not tire, we will not falter, and we will not fail. That was a very powerful statement of commitment. It was dark days, and they had, those leaders of that day, had a very tough decision, in fact several decisions to make. Some turned out to be very good. Perhaps some maybe not so good. But they took leadership. And they made it and today, we are a stronger nation and brought under some more unity as a nation today. And so out of that, comes greatness. Because of a

responsibility they took to lead us through those dark days. And today, our city council is in session to make decisions. Decisions of leadership. Decisions of responsibility. And I want to say today, to our council, that it's not taken lightly. That as they are making decisions that some are delightful, bringing about good resource for our city. Others are challenging. Difficult. But the decisions have got to be made. Winston Churchill said this: That the price of greatness is responsibility. And if we lean to the Bible, the Bible gives us very explicit instructions about leadership and responsibility. And the fact that Philippians chapter 2 in verse 4 says each of you should not only look to your own interest but also to the interest of others. Proverbs chapter 4 in verse 23 says guard your heart above all else, for it determines the course of your life. And then one final, proverbs, chapter 24 in verse 4, a leader of good judgment gives stability. So if you would, bow your heads with me today, and we're going to pray. Lord Jesus, we thank you for this day, for this is the day that you have made and we will rejoice. I pray for our city council today as they assemble to do business, to make decisions. To lead our city in the path that it needs to go. Those decisions will bring a brighter future for us, for our children, and for our grandchildren. I pray God that you will give us wisdom, and direction, that only you can give. To help us to take our responsibilities as leaders in our city. To do the right thing. In Jesus' name we pray, amen.

>> Mayor Reed: Thank you, pastor Ed. Please stand for the pledge of allegiance. And as we stand for the pledge, let us take a moment of silence for the thousands of men and women who lost their lives on September 11th, 2001, the thousands of men and women who have lost their lives defending our country since then and a moment of thanks for the men and women of our military, our law enforcement agencies and our first responders who protect us today. [ Silence ] [ pledge of allegiance ]

>> Mayor Reed: First item of business are orders of the day. We have a couple of changes to the printed agenda. First, item 2.2F the final adoption ordinance regarding retirement board personnel will be deferred to September 18th. And I need to add a ceremonial item. The City Manager will make an announcement. Any other changes to the printed agenda? Motion to approve the amended agenda. All in favor? Opposed, none opposed, that's approved. I'm going to hold off on the closed session report until after we do the ceremonial items. I'm going to take up the ceremonial items. At this point. I'm going to start by inviting Marti malloy to join me at the

podium. Today we're commending Marti malloy, a San José State university graduate, who won a bronze medal in judo in the 2012 Olympics. [applause]

>> Mayor Reed: Marti is a native of the state of Washington who graduated from San José State University in 2010, and her first senior international competition in 2002 she won gold at 16 years old by defeating the 2000 Olympian and previous year's U.S. national champion. She has since then won numerous titles and championships, and this year at the London Olympics she won the bronze medal in Judo for Team U.S.A. Marti is currently ranked number one in the United States at 57 kilograms and is number 8 in the world. Obviously she was pretty good. Not to -- she continues to train at San José State where she's also an assistant coach, continuing a very long line of greatly judo teams and coaches at San José State University following Yoshuchida, so may you have as successful and great a career as Yoshuchida has had with judo. Marti, congratulations.

>> Hi everyone. I wanted to give a quick thanks to obviously the City of San José and everyone in the community who over this whole process was super-supportive and it's been an honor to come home and be able to get this from you guys in return, so thank you! [applause]

>> Mayor Reed: Now I'd like to invite Councilmember Chu, Councilmember Liccardo and Vice Mayor Nguyen and representatives of the association of former Vietnamese political prisoners to join me at the podium. Today we're commending the association of former Vietnamese political prisoners for 25 years of support for the Vietnamese community members who are former prisoners of conscience. Councilmember Chu I think will have some details.

>> Councilmember Liccardo: I'm honored to be joined by two gentlemen here on the anniversary of 9/11 who undoubtedly know something about freedom and self determination, and other ideals that many of us as Americans sometimes take for granted. The association of former Vietnamese political prisoners is celebrating its 25th anniversary this week. And this has been an organization which has diligently served the Vietnamese American community and the broader community with everything from the SL classes citizenship classes translation services and many other services for the last quarter-century. Obviously we all know how important the

Vietnamese American community here is in the City of San José some it's one of the largest populations outside of Vietnam and of course as the name suggests the association of former Vietnamese political prisoners was formed by many who know deeply how painful and challenging the loss of basic human rights is and how important that struggle is for all of us. The association welcomes people who want to connect with the Vietnamese American community to learn about their struggles, their fight for democracy, and their formation and their support for many of the -- those who were former political prisoners. They continue to serve both them and many other seniors in our community. So unless Councilmember Chu or Vice Mayor Nguyen would like to speak.

>> Councilmember Chu: Thank you, Sam. Again I just wanted to congratulate them for the new beautiful home on Gish Road, south 10th street, I attended their Le Tuland function last weekend was very, very well attended, an event so congratulations, thank you.

>> Vice Mayor Nguyen: I also wanted to extend my congratulations to the associations and also to all the sacrifices that they made so that we can all have freedom. Thank you. [applause]

>> In Vietnamese ] [applause]

>> Vice Mayor Nguyen: Open behalf of the association he just wanted to extend a great thank you to the city council especially mayor Chuck Reed, Vice Mayor councilmember Sam Liccardo and Kansen Chu for this wonderful recognition and also the San José fire department for the quick inspections at the new facility on Gish Road. Thank you very much. [applause]

>> Mayor Reed: Our last ceremonial item is an announcement from the City Manager.

>> Debra Figone: Thank you, Mr. Mayor, members of the council. I'm going to invite Kerrie Romanow to join us at the podium. And while she's coming down it's really my pleasure to announce Kerrie as our new, not so new, but permanent director of environmental services, council confirmed her this morning. And before she addresses the council I just wanted to first of all say, a few things about Kerrie. First, and foremost is to introduce her family

here, in the audience today. Peggie Romanow, John Steele, Kathy Devoy and a very special hello to Maggie Romanow, Kerrie's daughter. Kerrie as you know has served as our acting director for 14 months. She has also competed through a very formal recruitment process where San José was looking for the best director to appoint on a permanent basis. And you know what? We found her, right here in the city of San José. There's many things I can say about Kerrie, but just to name a few, she clearly has the intellect and the best match of experience to the wide range of services provided by the department. She has really, really demonstrated her adaptability and flexibility stepping into a very challenging role as acting director in the last 14 months and providing very strong leadership during these very difficult times. She understands the complex issues of the department and is committed to seeing the department through our challenging times. And she's equally committed to her workforce and to the residents and the citizens of the City of San José. She has lots of courage, is not afraid to take risks and learn from her mistakes, and freely admit them. But then build upon the lessons learned and I think that's the model of a great leader in modeling the way for her department. And she really knows the power and the value of building positive relationships. And finally, before I turn the mic over to Kerrie to address the council and the community, she just has this wonderful energy about her, and enthusiasm for the job. She loves what she does. And I think that sort of excitement and passion can be seen by all and really respected by her staff. So Kerrie a few words for the council. [applause]

>> Kerrie Romanow: Thank you. Thank you. I'm excited to introduce myself today, Kerrie Romanow director, environmental services department. Honorable mayor and council, I want to thank each of you for your confidence in me. I'm committed to meeting and exceeding expectations of both me and the entire ESD team. I want to recognize my ESD colleagues for their support and patience over the past year as we work together to create solutions to a diverse set of challenges. I want to especially thank our plant team for their exceptional efforts to protect public health and the environment every day. I appreciate their openness, flexibility and commitment. Deb and Ed, I've greatly appreciated your confidence, candid feedback and support, and I'm hopeful that will continue. And of course I want to thank my family for their never ending confidence, love and support. Without you all, I wouldn't be here today. Thank you. [applause]

>> Mayor Reed: Our next item is the closed session report. City Attorney.

>> City Attorney Doyle: There's no report.

>> Mayor Reed: Consent calendar. I have a couple of items to be pulled. I have no requests from the public to speak. 2.5 and 2.6. Any others that councilmembers would like to pull?

>> Councilmember Liccardo: 2.8 please.

>> Mayor Reed: 2.8. All right, is there a motion on the balance? Motion to approve. I'm sorry Councilmember Rocha did you --

>> Councilmember Rocha: I had marked it and -- thank you. Councilmember Liccardo. 2.9 please.

>> Mayor Reed: 2.9, okay. So we have a motion on the balance of the consent calendar. On that motion all in favor? Opposed? None opposed, that's approved. Item 2.5. Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. Last week, Councilmember Chu and I attended the league of California cities conversation in Southern California. I served on the public safety committee, where we reviewed a number of initiatives and resolutions which we then passed on to the board which Kansen serves on. And I'll let Kansen finish up with his involvement. I was able to watch him get sworn in for another term on the board of directors. And I think he has just a couple of things to add.

>> Councilmember Chu: Thank you Pete. Very quickly. The board has convened and elected a new president and now we have Bill Bogard, the mayor of Pasadena serving as the LCC president. And also, swearing in six new board members. We have taken the position on five of the state propositions. The first one is proposition 30, which is the most famous one. The title, the school and the loam Public Safety protection act of 2012, which is to the governor's tax proposal. The revenue and tax committee recommendation was in opposing but after long deliberation by the board, we have chosen to take a no-position on it. It was overwhelmingly 26 to 12. The other

very controversial one is proposition 31 which is the government's performance and accountability act. We have received a lot of letters from the California forward and some of the large city mayors and the police department to support it. And the administrative service recommendation, the administrative service committee's recommendation was to oppose it, but their revenue and tax recommendation was to take a no position. After long deliberation the full board took a no position decision on that. The other three are really not city related. During the peninsula division, the meeting, board members questioned why do we even consider proposition 34, 35 and 36. 34 is the -- has to do with the death penalty repeal. The Public Safety recommendation is to oppose. And the full board decided to not take any position on that. Prop 35, is regarding to the sex offenders registration and we have full support from the board. Prop 36 is the three-strikes reform act. The public safety recommendation was oppose and the board voted unanimously for no position on that. So that's a brief report.

>> Mayor Reed: Anything else on travel reports from anybody under 2.5 other than -- Councilmember Rocha.

>> Councilmember Rocha: Just a question in terms of process and when we have a representative there at one of these association meetings and how they vote. Without the city council taking any prior positions to any of these measures, how does -- how does our representative vote, then just their own personal position?

>> Councilmember Constant: So I could answer that because I have two roles. I'm on the public safety committee and then I'm also the voting alternate and rose is the voting delegate. Before we go we receive the recommendations and the packet from the City Manager's office with the staff's positions which usually go through rules, and I think come to the council, I'm not sure. But we get the packet of all the analysis on everything, and I generally, when I'm serving in my capacity on the committee, I give my opinions and vote my position but when it comes to placing this council's vote I go with what is recommended in the packet as the City's position. So I don't cross that -- I don't let my personal vote supersede that vote. I carry our vote there.

>> Councilmember Rocha: Understood so the council has taken positions on these ballot measures?

>> City Attorney Doyle: Yes, those go to the Rules Committee and those recommendations are brought to the council. Typically it's a consent calendar item.

>> Councilmember Rocha: As for the Rules committee?

>> City Attorney Doyle: I believe it's separately agendized. The manager brings it forward to Rules and Rules makes a recommendation to council.

>> Councilmember Rocha: So we have positions on 30, 32, death penalty all those?

>> City Attorney Doyle: I believe so. Those all went to the rules committee, I know they went to rules, and whether it comes out separately agendized or if it came through the Rules Committee as something else --

>> Councilmember Rocha: Does anybody know for sure?

>> Mayor Reed: Ed Shikada would clarify this.

>> Ed Shikada: Thank you, Mr. Mayor, members of council, Councilmember Rocha, those would be brought forward as separate actions. I don't recall on specifically on those propositions the city's position though. That said, I'm not recalling the particulars, as a rule we do bring it to Rules and it comes to council as separate items.

>> Councilmember Rocha: So have we taken positions on these?

>> Ed Shikada: I honestly don't remember. Perhaps we can --

>> Councilmember Rocha: Can someone follow up with you and get that information?

>> Ed Shikada: Perhaps we can follow up.

>> Councilmember Rocha: That would be helpful, thank you.

>> Mayor Reed: We'll sort it out tomorrow at Rules. We'll just finish the discussion at Rules and figure it out. Because I know we had some matters that where its going to league of cities did come to Rules, but I don't think it included the propositions.

>> Councilmember Constant: What I will do is, I will recirculate the packet that was given to me, so everybody knows what was given me and how I voted.

>> Mayor Reed: And we will take it up at Rules tomorrow and sort it out and make sure everybody understands how we -- Councilmember Chu.

>> Councilmember Chu: Betsy Shotwell usually sits in the board meeting, and we're constantly in phone conversation with Roxann Miller in Sacramento before the vote.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. Yeah, my understanding is there has not been a position by the city council. I think anyone that's representing the city at the league of cities with the City of San José name next to them cannot take positions, whether it's at committee level or at the general board meeting level, on these matters without the city -- I mean, because you're representing the City of San José. Especially if you are getting city leave, and these are approved trips by the city, then it has to be run by the city. And judging by the recommendations that have been made, it's clear, and I know this is just in my first year when I went to a couple of league of cities events, that there are a lot of small cities there. And they have a different perspective than we do. For example, prop 30, I mean, would be devastating to our city. And I would make that very clear if there was an opportunity for us to discuss these state propositions and what recommendation we're going to make at the LCC, and maybe the small cities have a different opinion. But the bottom line is that you know, we have not taken

a position on 34, 36, both of which I certainly support. We, you know, oppose 32, are in favor of 30. There are a lot of positions that I have. These positions have not been vetted by us, and if we are going to be representing the City of San José in any capacity at these organizations, they have to be approved by council. If it comes through consent, that's fine, if we agree with the consent recommendation let it go through, and if someone wants to pull one, they can. But at some point these are too important for us to have our name assigned to any particular opinion without being vetted by the council.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Well, just maybe this is something we could have a further discussion at Rules. Because I agree that when it comes to placing the City's vote, that we vote on what the city has approved. But as far as being on the individual committees, you're selected for those committees based on your experience and like in my case, I'm a presidential appointment from the league president to be on that committee. I don't think that I should need to have the council's approval to express my opinions and vote on committee issues. So maybe that's something we can vet through Rules and come back with a policy.

>> Mayor Reed: Okay, we will.

>> Ed Shikada: If I may Mr. Mayor council simply to clarify, council has not taken a position on those two propositions at this point so staff will work with the Rules Committee on bringing it forward.

>> Councilmember Rocha: But we have on other ones?

>> Ed Shikada: 30 and 32 we have not taken position on.

>> Councilmember Rocha: Have we on all the other ones?

>> Ed Shikada: No.

>> Councilmember Rocha: So we've taken a position on none of them?

>> Ed Shikada: I don't believe we've taken a position. The typical Rules process would be to identify, from staff level, identify those issues that are of direct impact to the city and bring it forward through Rules.

>> City Attorney Doyle: I can give a little bit more clarity, or maybe not. The Rules Committee was provided with five resolutions of the league of California cities. And the city council took a position on those five resolutions based on the recommendation of the Rules Committee. Those were not the state propositions. And I suspect it's the position of the board of the directors of the league of California cities whether to approve or not approve but it's a separate discussion if the council wants to weigh in on that before the city actually votes. So that's probably better for Rules.

>> Mayor Reed: Okay. Enough on that, I think. We have covered that. Item 2.6, Councilmember Constant.

>> Councilmember Constant: Thanks. It's been a while since I provided an update from the retirement boards. As we know we just deferred item 2.2 F and my understanding is, that will come back on the 18th for the second reading and then 30 days later that will take effect just like all our ordinances unless I'm incorrect. Is that correct Rick?

>> City Attorney Doyle: That's correct. It's a one week delay so it will be approximately the 18th.

>> Councilmember Constant: Okay, and with that the recruitment of the CEO and CIO are continuing to be in the ongoing phase. In the meantime Donna Busse is the acting director of retirement services. The ad hoc committees from both boards, there's a joint committee that they have been working with the City Manager and staff on recruitment and all that stuff. As far as the end of the year plan status we are on a fiscal year that ends June 30th of each year. It usually takes a while for everything to be reconciled to see where the fund's performance is. In the Police and Fire retirement plan, the annual plan return was a negative 0.1% gross of

fees. Which was in the bottom quartile. And the fund returned net of fees was a negative 0.5%. So during the fiscal year, the value of assets dropped from, lets see here, \$2.682 million to \$2.654 million which is basically a reduction of 27.9 million dollars. Both boards are continuing to work on electronic board packets, although that's been a little bit delayed but it's moving forward. The Federated city employees retirement plan's performance for the year ending June 30th, in a gross basis, was minus 2.4%. On a net basis was a minus 2.5% and their value of assets during the fiscal year was a total reduction of \$113 million. So that's the update at this point.

>> Mayor Reed: All right. Item 2.8, Councilmember Liccardo.

>> Councilmember Liccardo: Yes, and just to go back. I think Pete, you said that you were citing the drop in the figures. You were referring to billions not millions, is that right? The total asset?

>> Councilmember Constant: Yeah. Did I put a point? I meant to put a come ma. The most important point is the total asset drop is 27.9 in one and 113 in the other.

>> Councilmember Liccardo: Those are million.

>> Councilmember Constant: Yes, sorry.

>> Councilmember Liccardo: Thank you, no, it's very helpful. Thank you. Sorry for the bad news. We're on 2.8. Thank you mayor. I just wanted to thank several folks who have been really deeply involved in this effort and particularly I'm referring to the \$600,000 grant from art place. We're now in a post-redevelopment world and we recognize the scarcity of dollars here. We're spending every dollar we've got on the blocking and tackling of basic city government, and so we know we need partners in order to make extraordinary things happen like this downtown illumination project, which I think you are soon going to see. As I think appropriately ZeroOne is launching this week and the following months will be launching some of these illumination projects in the downtown under 87, some way-finding on the top of various buildings, and I think this is something that is going to be something that's going to be very inspiring for folks and hopefully create a strong sense of pride here in San

José. I really wanted to thank Barbara Goldstein and Kerrie Adams Hafner on Kim's team, their hard work, certainly Barbara's great leadership in public art, this is going to be another great example here and I think something that will stir a lot of conversation, which is an important function of art, among many others. I wanted to thank also Connie Martinez at 1stAct and her team. You know, the relationships we forge for instance with organizations like Art Place that are granting so much money is really a result of people like Connie who are important really bridge builders for us to the national scene and the foundations. And I know Erica Justice on her team is leaving this week from 1stAct, as 1stAct morphs into its next life. But we're really grateful for the wonderful legacy projects like this, and Gore Park, and many others that 1stAct have left us with. And of course thank you to Kim Walesh for your leadership as well. I'd have a motion to approve.

>> Mayor Reed: Motion to approve on 2.8. On the motion, all in favor, opposed, none opposed, that's approved. Item 2.9. Councilmember Rocha.

>> Councilmember Rocha: Thank you. Question, looking through the memo. Just trying to understand if there's any relationship between this and the recent efforts we're going through at the treatment plant to, because there really didn't seem to be any mention of it and I didn't know again if there was a relation, more for my curiosity than anything.

>> Alex Gurza: Good afternoon, Alex Gurza, deputy City Manager. Councilmember Rocha, yes, there is a connection. When we were here a few weeks ago on the item of the temporary contract one of the efforts that we mentioned was creating an industrial electrician to recognize the specialized skills that are needed, electrical skills at the plant. And so that is the intent here, is to recognize those particular skills of those electricians.

>> Councilmember Rocha: We were able to move on this extremely quickly, which is why I was surprised to see it so soon.

>> Alex Gurza: Yes, we had actually had -- that was one of the steps that we had had underway, we had been working with the environmental services department for many months on a variety of options. This is one that the

human resources department had been working very closely with them to create the classification, set the pay and then bring it forward for your approval.

>> Councilmember Rocha: Great and fantastic work. So this class specification was as you just mentioned I believe developed through your office and also ESD.

>> Alex Gurza: Yes, the director of human resources is the one that has the authority in the municipal code to create job specifications but we worked very closely with the department, especially when it's a department-specific classification. Because they are the subject-matter experts. Sara Nunez, our employment manager, and her team worked with the environmental services department to create this classification.

>> Councilmember Rocha: Thank you, very impressive. Move to approve, but before I yield the floor, since I have this opportunity, I don't think it's any relationship to your work, but the living wage amendment that we had made direction for and approved, the timing, I was curious, it just came to my mind how quickly this moved. When will we see that or should I take that offline?

>> Debra Figone: I'm not remembering which item, councilmember.

>> Councilmember Rocha: We made an amendment to the living wage policy to allow for minimum days of time off, and I was expecting -- I think we were going to return to council at some point, and I'm curious where we are with that. I don't think that has any relationship here.

>> Debra Figone: No, but that's a great question. I saw Ed nodding.

>> Ed Shikada: We need to verify specific timeline when that will effect. Perhaps Dave can respond.

>> Dave Sykes: Dave Sykes, director of public works. I believe we committed to bringing that item back into the spring, so it has now been put into our work plan. So this spring we will be bringing that back to the council so we can implement in new contracts beginning July 1st, I believe, of 2013.

>> Councilmember Rocha: Thank you for refreshing my memory. I move to approve.

>> Mayor Reed: We have a motion to approve. I have one request to speak, I'll take that now, Dan Rodriguez.

>> Good afternoon, city council, Mr. Mayor, I just like to speak on this motion. I can't say I disagree with it or agree with it. But I do -- I guess I almost have to say I disagree with it because there is no need for this industrial electrician. Although I do see the city council or the reason for it, that we want to get a higher pay for the electricians working at the sewage treatment plant out there because of the type of work they do. But again the electricians who work in this county under the IBEW can all do this type of work. It takes a little bit of extra training as do any other positions anywhere else throughout the city. Sewage treatment electrician there it takes about a year to actually learn what's going on out there. But the other positions in the other departments takes about six months to learn what they do. So you are creating a whole new classification to exclude people that you already have working for the city who will not be able to bump over there. The standard electricians you have cannot bump into industrial electrician because it's two separate classifications and more than likely the industrial electrician would be higher paid so if there's any kind of bumping going on the electricians you have now who are qualified for this position will no longer be qualified. Anybody new who starts as an industrial electrician will no longer be able to be a regular electrician if there is any bumping in that respect. I want to make a point of clarification, I see the reason for it to try to retain electricians it's not going to help you much because you are going to need to do the same thing in the rest of the departments as well. You will not be able to retain those electricians because your wages are simply just too low for electricians who work in this area. So anyway I just thought I would let you know what the IBEW's position is on this thing. Thank you very much.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve on the motion, all in favor, opposed, none opposed, that's approved. That concludes the consent calendar. He next item is 3.1, report of the City Manager.

>> Debra Figone: Thank you, Mr. Mayor, members of the council. I have one good news item. We see many reports ranking cities all the time and San José usually shows up very well in these because we're very competitive on a variety of scales. I want to share one report, just released through Forbes that really points to one of our long term strategies for economic development. A new ranking of the cities, of the 20 cities nationwide put San José at number 2 for having the happiest young professionals in the country. L.A. was number 1. And San Francisco came in number 9. The ranking compiled from 38,000 recent surveys by careerbliss.com defined a young professional as an employee with less than ten years of experience in full time position. Among the ten factors considered in the survey were, work life balance, compensation, company culture and autonomy. According to Kim Welsh our director of the office of economic development we're not surprised by the survey results. We know that companies are fighting for young educated talent and a conventional wisdom seem to be that companies must be in San Francisco to attract young professionals. The data and the research show that just isn't true. San José consistently ranks in the top tier for its concentration of college educated young adults. The 2010 census shows the shifting majority of young South Bay talent is residing in San José. And we project a very significant increase in young professionals in the coming decade as our city continues to grow. So we do have many advantages. Our strong employment base, great weather, the opportunity to live a green, car-free lifestyle, our downtown creative scene and nearby higher education institutions all add up to our advantage. And as the other city, up the road, young people begin to settle down we also suspect they will find their way to San José as well. This is a good sign both for today and the future and a reminder that we must keep our eye on young professionals as the key element of our economic strategy. And that concludes my report.

>> Mayor Reed: Next item is 3.3. It's the response to Santa Clara County civil grand jury record entitled City of San José City Hall a promise kept or a promise broken? We have a staff recommendation in front of us. I don't know if the staff --

>> City Manager Figone: No report, just here for questions, mayor.

>> Mayor Reed: So ultimately this is the council's response that we approve so that's in front of us for that purpose today. I'd just like to make a couple of comments on it. I'd like to thank staff for acknowledging in the response that what is obvious to anyone that the cost of real estate, leasing is a lot less than it was projected to be when the measure I work was done and it's quite clearly that we're paying more than we would have been paying if we had gone into leased space. So I don't think there's any real issue here about whether or not we're paying less than we would have been paying. It's clearly we're paying a lot more. We might as well acknowledge that. There's no reason to argue about it. Maybe 20 years from now it will be dirt. This is a very long term view. I think it's important to acknowledge that. I think there's another important policy question that comes out of that. When I think about the City Hall and the fact that in our projections turned out to be not as good as we had hoped. And Hayes mansion and Los Lagos golf course where we made decisions based on a long term expectation of revenues and things that turned out not to be the best, and so we're not making as much money off of Hayes mansion, in fact we're putting money into it. We're not making as much money off of Los Lagos, in fact we're putting mine into it, and we're paying more for City Hall than we thought we should have to, I guess. But that's the nature of making a long-term decision based on the data you have at hand. I'd like to think about how do we deal with that, just at a policy level. When we do projections there's always the optimistic, we always want to be optimistic, the economy's going to grow and we're going to try to make sure that happens. But things don't always work out as well as you hoped. And I don't know how institutionally we might go about bringing another opinion into the analysis, when we're doing projections. I know that Julia Cooper is here, make she could talk about that because the work that the staff did with regard to the convention center expansion that's underway I think was the best piece of work that I've seen, in trying to hedge against the uncertainty and hedge against the possibility of things not being as good as we'd hoped. I think that's the way to do the analysis and I think staff did a great deal of work on that. I'd like to see as we go forward, doing projections we bring about the pessimistic scenario, as the regular course, perhaps we need to have the auditor come in and offer another opinion, or something else, I don't know. So I just pose that question without an answer. I think that's kind of the policy issue that comes out of the City Hall debate, is how do you make a decision that's something you have to pay on for 37

years, and you're locked in, this building is here, we have a mortgage, and we have 30-some years left to pay on it. So with that, I think the response is fine. I would be supportive. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, Mayor and since Julia Cooper is here outside of the grand jury and our response just on the question of the mortgage of what we owe on City Hall, so related to the topic but a little bit unrelated, how -- I mean, I guess the management expectations is that we are paying for it with the general fund and other sources if the employee is located in City Hall, for example. But in the end, how did that debt look today, and how does it look five years from now? Because I understand there's some fixed debt, there's some variable debt, the payment grows over time.

>> Yes, thank you. Julia Cooper, acting director of finance. Yes, the debt service schedule does have escalating debt service, and that was to kind of mirror what we projected to be escalating lease rents when we did the financing. There is variable rate debt associated with the building, as well as the garage across the street. However, we sold the bonds ten years ago, which means they are now eligible to do a refunding. So we are examining and doing analysis on that and hope to bring back to the city council by the end of the calendar year or early part of 2013 a refinancing package which we will look at different scenarios that may help relieve some of that escalating debt service, consistent with your prior conversations about getting rid of variable rate risk, looking at those, as well. So taking some of the policy conversations you've had and trying to bring those back in a way that we can kind of help fix that out and create some budgetary relief as well.

>> Councilmember Oliverio: So it's foreseeable that there's potential for a lower rate to the city?

>> Yes.

>> Councilmember Oliverio: And then are there choices on what we pay, is some of the debt higher cost, and others lower cost, and does the city have flexibility in deciding what it pays first or more of?

>> We can do a little bit more of what we call financial engineering, but we want to make sure that we do the re-funding in a way that's consistent with the way the rating agencies kind of look at how we should model the debt service. So we'll be taking that into consideration, as well. But one of the big issues is as the mayor and council pointed out before, trying to reduce that variable rate risk that we have, and since we have some on this building and on the garage across the street, we're going to be carefully examining that as an option to help reduce that risk going forward.

>> Councilmember Oliverio: And what's the approximate cost this year and next fiscal year?

>> On the City Hall, let's see, I'm looking at right here, in really small numbers. It's about \$18 million. And on the garage across the street, it's maybe about \$20 million, and the garage across the street is a little bit under \$2 million.

>> Councilmember Oliverio: And do you know approximate, if you did no refinancing, or changing what the cost is, in ten years? I mean is it 18.2 or is it 24?

>> No, the debt service right now if we do nothing escalates at about 2.5, 3% a year.

>> Councilmember Oliverio: Okay, and then -- I appreciate that. And then a question for the manager. Since there's potential in this building, and been long time discussing on this annex portion, but we haven't had maybe someone who would rent it at the market rate. Does it take a moment to look at you know waiving this restriction whether it does or doesn't avoid a tenant this labor piece that's kept this area vacant for so long?

>> Debra Figone: You mean the ground floor?

>> Councilmember Oliverio: Correct.

>> Debra Figone: There may be a couple of issues there. Ed can jump in here. The labor piece, as we've gone through it's a shell initially so it's the cost to move a tenant in. So as we looked at for example, I'll just pick one, a cafeteria or a food service type operation, you would have to put all of that infrastructure in which is a cost that would have to be born by someone.

>> Councilmember Oliverio: Or we bear none of the tenant improvements and let someone else put in the risk. But you have to remove the restrictions, a restaurateur told me, there's no way I would go in there because you could change your policy and I'm hijacked, I'm stuck. So it's not a policy question today because this is a response to the civil grand jury. But I would simply say removing any appearance of an obstacle might be a good thing. Because getting some rent would be better than zero. Because obviously, we have to pay for it, and it comes out from paying for other things. And I know it's a policy question ultimately for the council. I'm not blaming the City Manager, because the council is the policy maker in this regard but I certainly say we should look at it.

>> Debra Figone: Understood, thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. So when the city goes to refinance anything, they're in the same position as a homeowner would be. Whenever you refinance, there is a -- look at your credit, the lender looks at your credit et cetera. And in so doing, that credit review is a couple of things. They're looking at labor relations, that's a part of it, right? And the status of measure B. And they're also looking at our just General Fund credit review.

>> Yes, councilmember. When we go through the process of doing the refunding, the credit rating agencies will look at the project and will provide us with the rating. We have had several conversations with the rating agencies over the course of the last several months was in the info memo we released last week. We have had a recent conversation with Fitch. There are a number of positive things going on in this city as well as some things that are stressing the finances of the organization. So they look at a whole picture, and they take them all into consideration and do a rating analysis at that point in time.

>> Councilmember Pyle: But in that analysis many of these ratings went down.

>> Yes, they did.

>> Councilmember Pyle: In fact when I look at the chart March to August I look at the rating agencies, there's a lot of negative outlooks, in fact more negatives than positives.

>> Yes.

>> Councilmember Pyle: And how do we turn that around?

>> A lot of what the rating agencies have been focusing on lately specifically has to do with the dissolutionment of the Redevelopment Agency. So a lot of the rating reports and the frequency of them have dealt specifically with the Redevelopment Agency, and they do have a negative outlook on redevelopment in general in California, and specifically our Redevelopment Agency. So we're seeing a lot of that. In addition, the impact that the dissolutionment ask of pay or is having on the City's General Fund will come into play, as well. And additionally, I think one of the rating downgrades was also related to the airport. And as you know, emplanement have been an issue at the airport, and that is having a credit impact, as well.

>> Councilmember Pyle: The airport, however, did bring it up, they bumped it up a little bit, they did what they needed to do. So they do -- do they, I should say, consider revenue to the General Fund when they are deciding on their evaluation?

>> Yes. I mean the rating agencies take into a whole host of things so it's the revenue, are it's the expenses. It's the decisions that you as a city council make as well, in terms of how to keep the budget in balance. And the ratings that we have today are clearly the reflection of the really hard choices that the mayor and city council have made over the last ten years to keep our budget in balance. So I expect that we will again be making hard choices

and you folks will follow and make good choices as well. So I think -- I feel confident the ratings that we have today are fairly reflective of our financial position.

>> Councilmember Pyle: Uh-huh. And so decisions such as not to seek a sales tax, it's one of the things that they take into consideration as well? In other words, looking to see what's the balance between income and outgo? And if we don't have enough income, doesn't that have an effect on the rating?

>> I mean we haven't had a formal review of the City's rate since the springtime and the council decided not to put the sales tax on, in August. It's unclear that that will have a rating impact the next time we get a review of one of the rating agencies, right now Fitch is in that process and they've told us within three, four weeks maybe we should hear back what the results are of their rating analysis. And they currently rate the city's general fund G.O. debt as double A plus.

>> Councilmember Pyle: But the legal challenges to measure B occurred prior to that time, in other words, that started sometime after June.

>> Yes. And the last actual credit reviews were by S&P and Moody's, and those were in March and April of this year. So that was before the measure B was actually voted on by the voters.

>> Councilmember Pyle: So that hasn't had as much impact as it might have, and those in the future may play a role in our outlook. Thank you, appreciate your help.

>> You're welcome.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to follow up on Councilmember Oliverio's point which was well made. You know, if we have a serious prospect for a tenant in that space, I'd certainly -- can tell you I would be

pushing to remove any hurdles whether they're labor peace or any other limitations that prevent us from being able to lease out the space. But as I've understood it because I've talked to a lot of folks, brokers and potential tenants, really, the overwhelming obstacle is the roughly \$800,000 to \$1.2 million cost of building out a cold shell into something that can be actually used. And that's a price that is of such a substantial amount that it's difficult to capitalize certainly for a restaurant with a thin margin. So until we solve that, and obviously that's going to take capital money that we don't have today, until somebody out there in the market has got such a brilliant idea that they're able to finance that themselves I think we're going to continue to look at alternatives at that site.

>> Mayor Reed: I think that is the comments. I have no request from the public to speak. We need a motion to approve the staff's work or otherwise.

>> Motion to approve.

>> Second.

>> Mayor Reed: Motion is to approve the staff's recommended response. On the motion all in favor, opposed, none opposed, that's approved. Item 4.2. Is the next item, rezoning property at the south side of Montecito Vista drive.

>> Motion to approve.

>> Mayor Reed: Motion to approve. Anybody here to speak on this? I don't have any written requests on the motion. Councilmember Oliverio.

>> Councilmember Oliverio: Planning staff Joe is this a rezoning from employment land to housing? I wasn't clear when looking at that.

>> Joe Horwedel: Councilmember Oliverio, Joe Horwedel, planning director. The site it's a rezoning to change a development standard to allow a parking garage to be out of the ground. This was a conversion site about five years ago. About a third of the housing has already been built on it, but at this point it is residential to residential.

>> Councilmember Oliverio: Thank you.

>> Mayor Reed: On the motion, all in favor, opposed, none opposed, motion is approved. Item 6.1, car share vehicle parking incentives. I think we'll have some comments from Hans Larsen on this.

>> Debra Figone: I do believe there's a brief staff presentation.

>> Hans Larsen: Mr. Mayor, members of council I'm Hans Larsen director of transportation. Acknowledge that the memo from Councilmember Liccardo, I'll defer to him but just briefly, we're very pleased to bring you recommendation for a program to help the stability and expansion of car sharing in San José. And just to key on some of the earlier remarks, car sharing very much aligns with our envision 2040 goals. And supports having San José being a great place to live, the green and car-free lifestyle, and hopefully, bring us more happy young professionals. So I'll defer to Sam for other comments.

>> Mayor Reed: Councilmember Liccardo, speaking of happy young professionals.

>> Councilmember Liccardo: Thank you. First time I've accused of being young in a while. Hans thank you for your work as well as Manuel Pineda and Laura Stuchinsky. I submitted a memo and discussion with staff at Department of Transportation and with representative of zip car with the hope of giving us a little additional flexibility recognizing that there appears to be something of a real expansion opportunity here and if in fact this opportunity has some legs I think we'd like to be able to reevaluate in six months and give staff ability with some room to be able to allow for that expansion. So I'd like to move staff's recommendations along with the recommendations in the memo dated September 10th.

>> Councilmember Herrera: Second.

>> Mayor Reed: All right, we have a motion. On the motion, all in favor? Opposed? None opposed, motion is approved. 7.1, actions related to the issuance of commercial solid waste and recyclables collection franchise agreements.

>> Debra Figone: Staff is here to respond to questions.

>> Mayor Reed: I have a motion to approve. Councilmember Rocha.

>> Councilmember Rocha: Pass, mayor, thank you.

>> Mayor Reed: On the motion, all in favor? Opposed? None opposed, motion is approved. 7.2, is our next item, municipal water system wholesale water cost. I have one request from the public to speak, might as well take that, Darren Taylor.

>> Good afternoon, Mr. Mayor, members of the council. My name is Dane Taylor. I'm responsible for a long term financial planning and rate setting at the Santa Clara Valley Water District. Now I'm here to attempt to answer any questions you may have about the wholesale rate setting process. Your staff did a nice job about writing about the wholesale rate setting process and the due diligence involved and I did bring some extra copies of our annual report on the protection and augmentation of water supplies. This report talks about the water supply outlook for the county and also about the activities and programs that the wholesale water rates pay for. And I'll be happy to leave a few copies of these with the clerk. And with that I'd be happy to attempt to answer any questions that you may have.

>> Mayor Reed: I see no questions at this point. Get back to you. Councilmember Herrera. I think you just made a motion. I wasn't sure. Okay. I have a motion, somebody made. Vice Mayor made the motion. Okay. Councilmember Rocha, did you want to speak on the motion?

>> Councilmember Rocha: I did have a question for staff not for Santa Clara Valley water. In connection to the audit or the coordination with the City Auditor, listed in my colleagues memo. And I got the impression that we're not going to move forward at this time with that item. Is there a certain status of this? Is this pending? Is this something we're not going to do? Are we going to -- are we going to hold off at this joint meeting to discuss?

>> Sharon Erickson: Sharon Erickson City Auditor. I'm not sure I understand the question. At this point, given the process that staff has in place --

>> Councilmember Rocha: I can repeat the question if you like.

>> Sharon Erickson: You could try again. At this point we're not recommending a separate audit. So we are -- I do agree that the process staff has in place demonstrates due diligence with regards this.

>> Councilmember Rocha: So the direction in the proposal I'm ton right item right? To coordinate with the City Auditor to determine whether or not a audit of the wholesale water rate is necessary. That determination is made with you?

>> Sharon Erickson: Correct, in consultation with ESD yes, we've reviewed their process and we aren't recommending an audit, a separate audit at this point so that was the purpose of this memo.

>> Councilmember Rocha: Understood. How did you come to that conclusion? Can you elaborate any at all on that determination or decision?

>> Sharon Erickson: Yes. In discussing with staff we went through what's outlined in the memo with all the steps staff take on a routine basis. And came to the conclusion that there really is a process in place. So we could at the council's request launch a separate audit. But at this point given the extent of review that's already been done we didn't really feel it was necessary.

>> Councilmember Rocha: I'm struggling to understand that statement because I would expect in a number of different cases when we ask you to do an audit there's already protections in place and processes in place and accounting in some cases probably a separate audit but we still ask you to go through with that. So I'm -- you're telling me there's already processes in place that you think this isn't necessary. So I'm trying to understand the differences between those and this one.

>> Sharon Erickson: You know in this case it is just a question of prioritizing what we think needs to be audited. And so when I'm making that determination I'm going to look for the place where the controls seem weaker, quite honestly. We're going to look at other areas. So right now we've got a list of projects, and our plate is full. So we would have to bump one of those projects out which could be done. And again it really is up to the council to help direct that work. But at this point I'm not recommending that we make any change to our work plan.

>> Councilmember Rocha: And nor am I. But this explanation that you just provided there is a little bit more helpful for me to understand how you got to that conclusion. Thank you.

>> Mayor Reed: One more thing to add to that. Part of the Muni water charges come from San Francisco Public Utilities commission and there is an organization, the Bay Area water supply and conservation authority that is 28 agencies whose mission in life is to watch the San Francisco Public Utility Commission on rebuilding Hetch-Hetchy and rate increases, that there is another function there that can be employed if -- besides our own auditor. So there is yet another set of people looking at the numbers with as much interest as we have. So just another check along the way. But those rates are going up. I think everybody's concluded that at least the Hetch-Hetchy rates are going up because of the great deal of money that's being spent on the rebuild and everything else. But there are -- I serve on that board and I've been on it for years and I know there are some people that are very dedicated at watching those rates very closely because we just all have to pay them. We don't get to set them. So there are a lot of people engaged in that part. Then there's the Water District part of it and that's another set of issues. But any other -- I have some other requests to speak. Councilmember Pyle.

>> Councilmember Pyle: Thank you. I just had a question on page five of the report that was provided. And that has to do with the next five years and the fact that the rates are expected to increase by 58% and 55% respectively. That seems like a tremendous hike. And so my question is this: We're going to hear a whole lot of yelling and screaming from customers. And what can we do about this? Is there going to be information-gatherings or information sent to customers, or what is the process that will be used to alarm people to this change? Maybe alarm is not the right word. To inform people?

>> Jeff provenzano environmental services department municipal water system, the acting division manager. Our process right now is to issue notices in compliance with prop 218, to our customers. But that is only on a year by year basis. We could do informational fliers to do a heads-up on possible rate increases in the out years. We're not doing that at this time.

>> Councilmember Pyle: Okay. So are you planning to take the 58% and 55, respectively and chop them into pieces? For example if it's over five years is it going to be, like, 10% a year?

>> That's correct. And the information provided to us by our wholesalers are in a year-by-year estimate around those numbers do change pretty dramatically. And so they can come up or they can go down, depending upon revenue that the wholesaler has received which can fluctuate based off of rainfall and economic downturn.

>> Councilmember Pyle: We've had some pretty dry seasons so that's part of the precipitating or negative influence. So if it's 10% a year is there some idea what that would look like to a customer?

>> Um yes. For example our customers are paying approximately \$40 a month for water so that would increase 50%.

>> Councilmember Pyle: 50%. You know you're going to hear some yelling and screaming for sure.

>> Mayor Reed: City Manager wanted to add to that.

>> Debra Figone: Maybe -- I see Kerrie is asking Jeff a question. I just wanted to clarify the councilmember's question, Councilmember Pyle has to do with page 5 which is speaking to the wholesale water rates. And so those are the rates --

>> Councilmember Pyle: Oh, okay.

>> Debra Figone: Passed on to the city or the other private water companies. And so maybe you can talk about then how our process for how that affects our rates.

>> Kerrie Romanow: So let me add a little to that. Kerrie Romanow environmental services. One of the things that the municipal water team is also working on is helping our customers conserve water. So that is one of the ways they can positively influence their bill is to install water saving technologies, change their landscaping. And so we're working collaboratively with residents and businesses to initiate those actions sooner rather than later. So that at least we can pare down the total impact of that rate increase.

>> Councilmember Pyle: Correct. With lush green lawns in a semi arid climate is not such a smart thing, either. So perhaps parks and rec can also help with that when they talk to people about their landscaping. And/or in a flier or what have you.

>> Kerrie Romanow: And we do have an event coming up in October and one of the components of that event is a lose your lawn component.

>> Councilmember Pyle: Lose your lawn, I like it, thanks.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thanks, mayor. I think we're all looking at that chart on page 5 with some sense of dread and fear. Knowing that we've just gone through a period in which construction costs have deeply declined because of the recession, probably going to be quite a bit of acceleration as a lot of big projects move forward. And so seeing that they're projecting already, you know, 50 some odd percent increases over five years we know it's from inflation and construction cost those numbers are going to really inflate as well. I guess I would ask, if ESD could communicate with the Water District before that hearing so we can get a strong sense about the specificity of what construction projects are really driving that. It is obviously capital cost. I assume Hetch-Hetchy Henderson dam and others. But it would just be helpful for us to know, because we are trying to explain to residents who undoubtedly going to be plenty hot under the collar about this, about what exactly they're paying for. I think it would be helpful to have some specificity about those capital costs. The one question I have is the rates we are seeing is purely under -- is that with an assumption of a model in which people continue to find more efficient ways to conserve? Or is that assuming a baseline growth of water use? I'm just trying to understand if we really have much impact over these rates in the aggregate through our conservation efforts or whether that's sort of already cooked into the model.

>> Are you referring to I'm sorry councilmember are you referring to wholesale rates?

>> Councilmember Liccardo: Yes, the wholesale.

>> That would -- we'd have to go back and ask the Water District.

>> Councilmember Liccardo: I understand that's a topic for broader conversation.

>> Kerrie Romanow: Dan, can you help us with that?

>> Mayor Reed: Well, we haven't had a representative of the Water District here, so --

>> Kerrie Romanow: And I would add while Dan is walking down that we've added the district water rates to our city district annual meeting as a specified topic from this point going forward so you will have the opportunity to talk to their board directly about our concerns and thoughts on rates.

>> Councilmember Liccardo: Great, thanks.

>> With regard to your question, on water usage, we've seen a pretty dramatic decrease in water usage over the past few years, clearly the economy, conservation, weather patterns and that sort of thing. In terms of projecting out forward we are projecting pretty flat usage over the next ten years. So if usage patterns start increasing then that would be a reducing force to the water rate projection.

>> Councilmember Liccardo: And when you say flat, you mean flat in capita or flat in the aggregate?

>> Flat in the aggregate.

>> Councilmember Liccardo: That up.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. I wanted to ask, and I don't know if this is for Kerrie or who would be answering this. So Muni water is a retailer, and you talked about the other retailers. That purchase water. And so is -- what kind of water rates are we looking at increases for the other retailers? Not Muni water but the others, can you guys have a handle on that and how are they affected by the wholesale water rates?

>> Kerrie Romanow: So the wholesale water rates affect all retailers, and then each retailer may have their own internal costs that go up and go down. We've done a very good job of maintaining cost controls in Muni water. And then Jeff can talk a little bit about the specifics of other retailers, if they are planning on adding on to the wholesale cost of water, or if they have even done that work yet.

>> Councilmember Herrera: I guess what I'm getting to is, Muni water when you charge the increase to the wholesale rates, do you mark it up, is there any markup added to that or do wholesalers mark it up, I guess it would be to Water District or CPUC, do you mark up, profit?

>> No. Both wholesalers do not add a profit to their water. The Santa Clara Valley Water District is in compliance with proposition 218, so they're a nonprofit organization. The San Francisco Public Utilities commission can only charge us per our 2009 water supply agreement. They can only charge expenses directly related to running the water and the water enterprise.

>> Councilmember Herrera: Is that true for profit-making water companies?

>> The wholesalers, other water companies can make a profit. Private entities, or public entities would be in compliance with prop 218, similar to municipal water system. So we are a cost-neutral entity.

>> Councilmember Herrera: In fact, Muni water, even though the wholesale costs have increased over 52%, the customer's rates only increased by 44%, so you've worked really hard to moderate the increases to the retail customers, even though you've had a huge increase coming your way.

>> That is correct. We've tried over the past ten years to keep our rates down, postpone or defer some maintenance projects to try and limit the impact on our customers.

>> Councilmember Herrera: And when we had a look at the various funds, and I'm trying to recall back in August, we went through how Muni water was managing its money. And it's certainly the only kind of increases that we found there were related to the wholesale water rate increases. We didn't see any large fund weird balances as we looked at all those different funds, is that right?

>> That's correct.

>> Councilmember Herrera: So again without trying to put a laser beam on the private sector water companies, as everyone knows I really supported us maintaining Muni water, I didn't want Muni water sold because I thought it was so important to make sure that we kept our water company, and we've done a really good job providing that service. And if we compare muni water rates to the rest of the water companies within Santa Clara County, I have seen that chart and our rates are favorable when compared to the others. Is that right?

>> We're actually lower than the others. There are a couple of municipal utilities that are approximately in the same area as us. But San José water company is significantly higher.

>> Councilmember Herrera: How much higher?

>> Approximately 34%.

>> Councilmember Herrera: So even though we're seeing these increases and yes, they are concerning to us, we are still lower than most of the other companies out there?

>> That's correct.

>> Councilmember Herrera: Thank you.

>> Mayor Reed: Want to go back to page 5 with that chart. And since we have all these processes in place, maybe we don't need an audit. But I don't understand the difference between Santa Clara Valley Water District rates and San Francisco PUC rates. Would I have guessed that the PUC were going to be higher because the Hetch-Hetchy rebuild, spending well over a billion dollars to rebuild that system and it's San Francisco. But if I'm reading this chart right, it used to be \$100 a foot, acre foot difference between the Water District and the PUC and it's going to \$1,000 an acre foot difference over the next seven years or so. I don't understand that. Does

anybody have any plausible explanation of why there would be such a huge difference over time between the water district rates, which are much, much much higher than the PUC rates?

>> I believe it would be the other way around. The PUC rates would be much higher than the Water District rates, is that correct?

>> Mayor Reed: Well, maybe I don't read this chart right. It's probably easier if it's in color. All right, if that's correct, then it's easier for me to understand why the PUC rates are higher than the Water District rates.

>> That is correct. The San Franciscan Public Utilities commission rates are significantly higher -- they're already higher now and significantly higher in five years.

>> Mayor Reed: That I understand. I have been through the Hetch-Hetchy thing quite a bit. Sometimes it helps to have it in color instead of black and white. Okay, thank you, wild goose chase there averted. Any additional comments on this? We have a motion to approve. On the motion, all in favor? Opposed? None opposed, that's approved. Thank you very much. That concludes the business agenda. We have open forum. One request to speak, Ross Signorino.

>> Mr. Mayor, members of the council, I tried to get down there a little faster on 3.3. I'm very slow now. And what I want to point out to you, not so much saying here, which I have to say, I told you so, okay, on this new City Hall. And the expense, it could have been done a lot cheaper if we had not billed the City Hall downtown here by \$53 million cheaper because we own the land, and E lot close to the old City Hall. So those are the things we have to think about, that what we've done here. But the lesson to learn here is more than just financing. The lesson is this: What did the old mayor, the old city council, sticking with now and stick the whole City of San José for years to come, and all these bills, we have to pay. And make up when it could have been done a lot cheaper. We know that Al Ruffo put a lawsuit against the Redevelopment Agency and found them guilty in a court of law that they could not use Redevelopment Agency to build a government building. But nonetheless, the situation is already started already. We can't do anything about it. We can't stop or tear down this City

Hall. No. But again I say there is a lesson here to learn. Not only to look to the future to see what you think you can do, but look also at the same time, the impediment that we might put on future city council and future mayors of this city, if we are not careful of what we do. Lucky supermarket, not too long -- far from here wanted to build, said oh we'll build a whole new supermarket. They never did. They just pulled out. This was supposed to bring a whole bunch of business here downtown. I don't see it materializing. I'm sorry I have to be critical but you just have to go to City Hall in San Francisco, with their beautiful City Hall there and see how much business it draws there. It doesn't draw any business. People go to City Hall, they do their business but nonetheless --

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

>> Dreaded words. I like those other words, sorry your time is up.

>> Mayor Reed: Sorry, your time is up. That concludes the open forum concludes our meeting, we're adjourned.