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>> Jennifer Andaluz: Good morning, ladies and gentlemen. I would once again like to thank the Lincoln high school chamber orchestra and their conductor Kathleen Meyer for being with us this morning. Before we begin our program we would like to acknowledge some very special people who are attending this morning's breakfast. We welcome the following distinguished guests. County supervisor Ken Yeager. County supervisor Liz Kniss. County supervisor Dave Cortese. County assessor Larry Stone.

>> Manny Barbara: Palo Alto mayor Patrick Burt. Los Gatos city council member Mike Wasserman. Milpitas city councilmember Debbie Giordano. Santa Clara city councilmember Jamie Matthews.

>> Jennifer Andaluz: Former mayor Susan Hammer. Former mayor Tom McEnery. Former councilmember Pat Dando. Former councilmember Pat Saucedo.

>> Manny Barbara: Former councilmember Shirley Lewis. Former councilmember Linda LeZotte. And Former councilmember Charlotte Powers.

>> Jennifer Andaluz: Represents of elected officials. Governor Arnold Schwarzenegger's office. State senator Abel Maldonado's office. State assembly member Jim Beall's office. State assembly member Ira Ruskin's office.

>> Manny Barbara: United States representative Zoe Lofgren's office. U.S. representative Mike Honda's office. Senator Barbara Boxer's office. County supervisor George Shirakawa's office. David Figueroa, consul general of Mexico.

>> Jennifer Andaluz: Other public agencies represented? VTA, Santa Clara valley Water District. Berryessa school district. San Jos  union school district. Eastside union high school. district. Franklin McKinley school district. Oak Grove school district. Moreland school district. Please welcome these special guests with a warm round of applause. [applause]

>> Manny Barbara: Before we begin the formal program, we would like to once again thank the Lincoln high school chamber orchestra. This ensemble is part of an outstanding performing arts program at Lincoln high school, San Jos  unified school district's performing arts magnet for high school students. While the band is leaving we'd like to show you a short piece that reminds us of some of the things that make San Jos  such a greatly place to live, work and play. Please watch and enjoy. Let's give a hand for the orchestra before they leave. [applause] [ Video, with music ] [applause]

>> Jennifer Andaluz: We have one more special guest we'd like to recognize and that is mayor of Campbell, Evan Lowe. Let us begin by introducing the leaders, who will join us shortly here on stage, of our San Jos  city council. Please stand as we call your names. Councilmembers Pete Constant of District 1. [cheering and applause]

>> Jennifer Andaluz: Sam Liccardo of district 3. [applause]

>> Jennifer Andaluz: Nora Campos of district 5. [applause]

>> Jennifer Andaluz: Madison Nguyen of district 7. [applause]

>> Jennifer Andaluz: And Vice Mayor Judy Chirco of District 9. [cheering and applause]

>> Manny Barbara: And please welcome the other members of the city council. Councilmembers Ash Kalra of District 2. [applause]

>> Manny Barbara: Kansen Chu of district 4. [applause]

>> Manny Barbara: Pierluigi Oliverio of District 6. [applause]

>> Manny Barbara: Rose Herrera of District 8. [applause]

>> Manny Barbara: And Nancy Pyle of district 10.

>> Manny Barbara: I would also like to acknowledge the distinguished mayor of San JosÉ, Chuck Reed, from whom you will hear later in the program.

>> Jennifer Andaluz: Our program will now begin. Allow me to introduce my co-host for this morning's state of the city and community breakfast, Manny Barbara, vice president of the Silicon Valley education foundation. And known to many of us as the esteemed former superintendent of Oak Grove school district.

>> Manny Barbara: Thank you. And it is my pleasure to introduce Jennifer Andaluz. She is the founder and CEO of the -- excuse me, she's the founder and CEO of downtown college prep. [applause]

>> Jennifer Andaluz: Let me change my remarks about Manny. [ Laughter ]

>> Jennifer Andaluz: Ladies and gentlemen, please rise and welcome the City of San JosÉ honor guard as they present our flag. [ Honor guard enters ]

>> Jennifer Andaluz: Today we have Adelin Ross from our city forest will lead us in the flag salute. [ pledge of allegiance ] I pledge allegiance to the flag of the United States of America. And to the republic for which it stands one nation, under God, indivisible, with liberty and justice for all.

>> Manny Barbara: Please remain standing. Welcome to the podium this morning. Manuel Romero, Manuel Romero is a Milpitas native with amazing musical talent. He has been singing for most of his 19 years and many of us have had the pleasure to watch him grow and mature into a very polished performer. In 2007, Manuel participated in NBC's TV series "America's got talent." He has appeared throughout the Bay Area including headlining at shoreline amphitheater and performing for pope John Paul II and received international acclaim for performing impeccable renditions of both the U.S. and Mexico's national anthems. He has released three albums and we expect many more. Please welcome Manuel Romero. [applause]

>> O say, can you see, O by the dawn's early light O what so proudly we hailed O at the twilight's last gleaming O whose broad stripes and bright stars O through the perilous fight O O'er the ramparts we watched O were so gallantly streaming O and the rockets' red glare O the bombs bursting in air O gave proof through the night O that our flag was still there. O O say does that star spangled banner yet wave O O'er the land of the free O and the home of the brave O

>> Manny Barbara: Thank you again Manuel Romero and our special guests from our city schools.

>> Jennifer Andaluz: For this morning's invocation, I present you rabbi Leslie Alexander, who is community chaplain of the Jewish federation of Silicon Valley. It should be noted that rabbi Alexander is a fifth generation rabbi. She also serves as the Jewish chaplain for the San JosÉ fire department.

>> Rabbi Alexander: Good morning. An ancient Jewish tale tells of the creator's encounter with Adam and eve in the garden of eden. God is showing them around to see the creativity, the beauty and potential of their home. Then God says, everything that I have created, I made for humanity. So be careful with it. Do not destroy it, or corrupt it, for it is up to you to maintain and develop your world. For no one can set it right, after you. We are all here today, at this state of the city address, because for our community, we take seriously the responsibility given to people at creation. Our city is our eden, not because it is perfect. Because even eden wasn't perfect. After all, it had at least one snake. But because we know that, for our community, to exist as a comfortable, safe, beautiful and just place to live and work, we must act with conviction, creativity, and flexibility. That is how we ensure the best present and future for us, and the generations to come. We are blessed in San JosÉ with a mayor, city council members, City Manager, firefighters, police officers, employees, community volunteers, and citizens, who all understand this. You have taken it upon yourselves to act with the knowledge that doing what is good and doing what is right, for San JosÉ, is an honor. Just as it is an obligation. This has been a difficult time for our country, state, and city. We have all had to recognize that our vision for a community has had to be adjusted to fit the realities of a trying economy. You, who see to the good of our community, plan not just for today, but for the days to come. Because you, like Adam, look around you and see the potential, and gift in the future. You will

create a realistic but positive direction for our city. Never forget that the work is not only important. It is holy, as well. What we do today, in San JosÉ, began with eden, as a charge to protect and to create, to see with open eyes, and to dream. Amen.

>> Manny Barbara: Thank you, rabbi. You may be seated. This morning we continue a tradition of the state of the city event by honoring some of the people in San JosÉ who make our city a better place to live and work. First, we want to honor the recipients of the coveted award called, "the pride of San JosÉ." These are employees of our city government and are selected annually by the City Manager. The city employees have gone above and beyond the call of duty. Please watch the presentations on the monitor.

>>> The pride of San JosÉ awards were created to recognize the extraordinary work that City of San JosÉ employees do throughout the year to serve our city, the organization and residents. Honorees are determined annually by the City Manager based on worked that demonstrates the highest level of quality service as defined by the City's six employee values. The 2009 pride of San JosÉ honorees are each of the value categories are, value category one, celebration, Work2Future, office of economic development. In the midst of the worst economy in decades, Work2Future has been able to celebrate numerous achievements, small and large, as it helps displaced workers find new jobs and connect with opportunities to update their work skills. For the fourth year in a row, Work2Future has exceeded all of the federally mandated performance measures for its programs for youth and adults serving nearly 100,000 individuals in our region annually. The second value category, collaboration. The citywide recovery act team, created after Congress passed the American recovery and reinvestment act of 2009, the citywide recovery act team responds quickly to opportunities for San JosÉ to obtain state and federal funds. Through the diligent and collaborative efforts of team members from 13 departments, San JosÉ is currently slated to receive \$104 million in recovery act funding. The funds will allow San JosÉ to pursue energy efficiency and alternative energy options as well as help reduce homelessness and provide job training to hundreds of adults and youth. The third value category, excellence. Captain Jeff Smith, and the traffic enforcement unit, school and neighborhood enforcement team, San JosÉ police department under the guidance of Captain Jeff Smith the San JosÉ police department's traffic enforcement unit created the school and neighborhood enforcement team. Due to the efforts of this team residents can effectively and efficiently obtain nearly realtime traffic information and voice their concerns about traffic safety through a new user friendly Website. The fourth value category: Integrity. The foreclosure response team, housing department. San JosÉ has been hit hard by the foreclosure crisis. The foreclosure response team helps homeowners who are facing foreclosure to stabilize their lives. The team has helped families in crisis by holding foreclosure prevention fairs, establishing a foreclosure help center, and using trained volunteers to connect families with support services including counseling, emergency relocation, and financial assistance. The fifth value category: Innovation. The partners in reading program. San JosÉ public libraries. Nearly one in four adults in our community need to help improve their reading and writing. The partners in reading program is continuously looking for innovative ways to improve these services by implementing group based learning in the workplace and creatively enlisting and training volunteers to expand services. The sixth and final value category: Respect. The emergency communication microwave project team general services department. Catastrophes such as September 11th and the Loma Prieta earthquake highlighted the critical need for emergency responders to be able to communicate across agencies. This team leveraged nearly \$10 million in grant funding to create the emergency communications microwave system. With the City of San JosÉ leading the project management and system design the project developed a seamless wireless data communications for first responders which will eventually incorporate the 12 counties of the greater Bay Area. Congratulations and thank you to all of the 2009 pride of San JosÉ honorees. [applause]

>> Jennifer Andaluz: Ladies and gentlemen, these are people whose efforts make San JosÉ a terrific city and help make life better for so many residents. Will the pride of San JosÉ honorees please stand. Let's thank them for their great work with a robust round of applause. [applause]

>> Jennifer Andaluz: Annually, the state of the city celebration honors residents who have engaged in generous service to our community, often behaving in exemplary ways that truly deserve our thanks. These honorees are selected by each council district. As we read the names of the recipients, the respective councilmember will join the honorees or their representatives in front of the stage to present them with a special award.

>> Manny Barbara: Will the councilmember please come on stage, please, council and the mayor. Good morning. (inaudible) Good morning, Mayor Reed.

>> Manny Barbara: All right. For district 1, councilmember Pete Constant is honoring Ed and Patty Brooks. They founded the strawberry park neighborhood association in 2007, and currently serve as president and vice president. They organized a strawberry park emergency preparedness fair and blood drive where more than 300 residents received emergency preparedness training and 45 units of blood were collected. They created yourhelplist.com, an online resource that helps residents locate resources during these difficult economic times. The Brooks also aided their nearby neighbors in forming the Stevens Creek neighborhood association. [applause]

>> Jennifer Andaluz: For district 2, councilmember Ash Kalra pays tribute to San JosÉ biocenter represented by executive director Melinda Richter. The San JosÉ biocenter helps scientists turn innovative ideas into products. The biocenter provides specialized facilities, capital equipment, laboratory services and support for emerging science and technology companies as they develop commercial products. The biocenter recently garnered two top awards from the national business incubation association. Since inception, the life science and clean technology companies of the biocenter have raised more than \$2 billion in capital and have created more than 600 direct jobs. [applause]

>> Manny Barbara: For district 3, councilmember Sam Liccardo has chosen to honor a group: Communiversity San JosÉ, represented today by executive director dayana Salazar and the president of the Olinder neighborhood association, Imelda Rodriguez. Communiversity San JosÉ connects students and residents through service-learning projects that are based on priorities set by neighborhood residents. The collaboration includes the five wounds/Brookwood terrace community, San JosÉ State University and the City of San JosÉ. Projects have included community planning workshops, voter registration drives and neighborhood cleanups. In the past five years, 13,639 residents and 4,495 San JosÉ State students contributed 53,654 hours of service valued at over \$1 million. [applause]

>> Jennifer Andaluz: For district 4, councilmember Kansen Chu has chosen to honor the Berryessa Chinese school which is celebrating 30 years of serving as a resource for Chinese language and culture to San JosÉ and Silicon Valley. The school is represented today by Oliver Wan, board member and Daniel Loy, vice president, completely run by volunteers it is one of the largest Chinese schools in the United States, with more than 1500 students from kindergarten to 12th grade and 64 classes in both Mandarin and Cantonese languages. Berryessa Chinese school serves as a critical role in promoting cultural awareness and understanding in our community. [applause]

>> Manny Barbara: For district 5, councilmember Nora Campos will honor the Veggielution urban farming project represented this morning by Mark Anthony Medeiros and Amie Frisch, founders. Every Sunday a wide range of young people from all over San JosÉ meet at a quarter of an acre farm at Emma Prusch farm park in East San JosÉ to grow food together. They call themselves Veggielution and they are developing leadership skills, addressing social and environmental justice issues as well as growing healthy, local, organic food. In 2009, Veggielution harvested 3175 pounds of produce, much of which was shared with low income community members. [applause]

>> Jennifer Andaluz: For district 6, councilmember Pierluigi Oliverio honors the Lincoln high school foundation, represented by oreen Gernreich foundation president. Since 1991, the nonprofit Lincoln high school foundation has raised approximately \$1 million to support make and enrichment.

>> City Attorney Doyle: Academic and enrichment programs for Lincoln high school students. The foundation supports school needs that would otherwise go unaddressed due to a lack of funding for traditional public resources. Over the past 19 years the foundation's future vision and mentoring program has helped more than 1220 students who had little expectation for finishing high school to set personal and academic goals. [applause]

>> Manny Barbara: For district 7, councilmember Madison Nguyen honest Seven Trees neighborhood group. Accepting the honor is Elizabeth Contreras association president. Since 2000, the Seven Trees neighborhood group last addressed issues such as public safety, gangs, substance abuse, public drinking and

excessive noise. They have made the neighborhood safer for pedestrians by partnering with the city to develop speed control measures and place radar trailers in congested areas. Volunteer projects such as tree planting, tree trimming, and litter pickup not only have beautified the Seven Trees neighborhood they have readied a sense of community among residents. [applause]

>> Jennifer Andaluz: For district 8, councilmember Rose Herrera will honor the Tully Ocala capital king neighborhood association which is represented today by Chuck Scott, Laura Archiga and Bolanda Candelaria. This incredible group has worked to build community awareness and collect residents with a variety of resources. The association's contributions include building playgrounds, holding neighborhood cleanups make facade improvements developing neighborhood watch programs and hosting community events such as national night out. Civic pride and community connection have been the result of the strong commitment shown by the leaders and members of this neighborhood association, the Tully Ocala capital king neighborhood association. [applause] It is

>> Manny Barbara: For district 9, councilmember Judy Chirco is honoring the San JosÉ astronomical association, represented this morning by Paul Mancuso, Jim Van Nuland, school star party chairman and Gordon reade, board of directors member and Ephemeris staff. The San JosÉ astronomical association has been keeping San JosÉ aiming at the stars for the past 50 years. For the past 15 years, the 300 member San JosÉ astronomical association has called Houge park home for their bimonthly Friday night star watch parties. One of the organization's stellar achievements is sharing members' knowledge of the moon, planets and stars with students at 60 local schools every year free of charge. [applause]

>> Jennifer Andaluz: For district 10, councilmember Nancy Pyle has selected to honor the VEP community association represented today by Marilyn Rodgers president and ginger Cardona, treasurer. Since 1969, the 2,000 member VEP community association has provided leadership in community service devoting hundreds of hours each year to improving the quality of life in blossom valley. The association has adopted landscaped and maintained city trees and marks. Volunteers have planted more than 300 street trees and thousands of daffodils. The annual VEP memorial day parade and festival promotes community pride. VEP members have served on numerous city boards, commissions and task forces. [applause]

>> Manny Barbara: Please thank all of these distinguished honorees, true community heroes, one more time. [applause]

>> Jennifer Andaluz: This morning, we are going to do something a little different. We're going to show you a video of interviews with students from Horace Mann elementary school. We brought them to City Hall a few months ago to see what they think about city government, the community we live in, and what San JosÉ will be like in the future. [ Video ] music

>> My name is Megan. I am seven years old. I go to Horace Mann school.

>> My last name is Kajiges. I think.

>> I have been living in San JosÉ since I was two.

>> When I grow up, I want to be a teacher.

>> I want to be a vet so I can take care of animals.

>> When I grow up I want to be an artist.

>> I want to be anybody.

>> Because I really like movies.

>> What I like about living in San JosÉ is that there are a lot of nice schools and a lot of nice people.

>> What I like in San JosÈ is that they recycle a lot.

>> What I like living in San JosÈ is because I get to get new friends.

>> What I like about living in San JosÈ is that you get to see the sun a olock.

>> There's a lot of like power place and goals.

>> Chuck Reed is the mayor of San JosÈ.

>> I were mayor, I would make sure that people have enough money to go to school.

>> I think the mayor does work.

>> I think they just like talk, talk, talk.

>> I think the mayor makes very important decisions about San JosÈ.

>> I think the mayor does paperwork a lot.

>> If I were mayor, I would protect the world.

>> If I were mayor, I would hang up a big poster saying that every day, you should smile, because it's May day.

>> In the future I think the world is going to be more clean.

>> I think San JosÈ will be like a nice place to live.

>> There will be no car smoke, there will be no homeless people begging for food. And it will be a nicer place.

>> In the future, I think San JosÈ will be a fun place to live in.

>> Manny Barbara: Sounds great! [applause]

>> Manny Barbara: And now, it is an honor to introduce to you Lew Wolff, CEO of Wolff urban development, and a co-owner of the Oakland athletics. Lew is also a co-other than of our very own San JosÈ earthquakes, and was instrumental in bringing major league soccer back to the Bay Area. You can applaud, it's all right! [applause]

>> Manny Barbara: In addition, Lew has been honored by the Silicon Valley leadership group with its prestigious community cornerstone award for a lifetime of impeccable ethics, business achievement and community engagement. Please join me in welcoming Lew Wolff. [applause]

>> Lew Wolff: Good morning. Everybody, as I prepared my introduction of Mayor Reed, it reminded me that the most successful leaders I know take prudent risks, recognize opportunities, and embrace innovative approaches, especially during tough times. that's why I'm especially honored to be part of today's celebration at the end of Mayor Reed's third year in office and the beginning much his next five years in office. [applause]

>> He has and will be leading a wonderfully diverse Community alongside San JosÈ's Very dedicated and capable city council. I hate to count the past but I've been active in San JosÈ and I've worked alongside seven mayors. seven times 8 gets a little scary. I admire each former mayor, or at least some more than others. Maybe Just kidding. But here's the point: In that entire time I cannot recall a mayor or city council that has had to experience a more difficult, a more challenging, and more exhausting economic period. Please believe me, economic cycles will end and new ones will start. And the one we find ourselves in will end, the sooner the better. But enduring the downs and Maximizing the ups, requires very special leadership. As the story of San JosÈ unfolds, history will validate that Chuck Reed was the right leader for San JosÈ during these challenging times. Chuck's election to mayor proved a Point Thomas Jefferson made 230 years ago. Jefferson said, "it is to

me new Proof that whenever people are well informed they can be trusted with their own government, that when things ever get so far wrong as to attract their notice, the people may be relied on to set them right." Mayor Reed's election in 2006 proofs in my opinion Jefferson's maxim with this point: That election Was citywide, his campaign ignored powerful special Interest groups, including my own, and his success was driven instead by a simple, Ambitious, and powerful notion: That being the desire of the majorities of San JosÉ voters to be represented by a person of unquestioned integrity and unbending independence. The citizens of San JosÉ recognize and demand total integrity and that is why I have the pleasure of introducing Chuck Reed to you this morning. Thank you.

>> Mayor Reed: Thank you, thank you. [applause]

>> Mayor Reed: Thank you. [applause]

>> Mayor Reed: Thank you, and good morning. I want to welcome everyone to this great community breakfast. San JosÉ's community breakfast. Thank you Lew Wolff for the nice Introduction. Of course you read it just as my molting wrote it. Thank you for your decades of making investments in San JosÉ. Of course, we're all wondering just when your next venture in San JosÉ might get underway. Give our regards to the commissioner, will you? Fest Congratulations to all of our community volunteers and city employees who were just honored. Thank you for everything you do to make San JosÉ a great place to live, work, and raise a family. Let's give them all another round of applause. [applause]

>> Mayor Reed: I want to thank our 'em sees, Jen Fevre Andaluz and Manny Barbara. Jennifer, thank you for proving at downtown college prep that all kids can graduate from high school and thrive in college. Manny, thanks for your decades Of leadership at Oak Grove as superintendent and the new spirit of innovation you're bringing to your next venture, Silicon Valley education foundation. To all the elected officials who Are here, I know there were a lot of them that were named earlier, all of the elected officials in the audience, including those behind me, please stand up. Please stand up. [applause]

>> Mayor Reed: Whether you're school board member, a city council member, a legislator, a supervisor, these are tough times, and I want to thank you all for your service. I want to acknowledge my sister Sandy is here, my wife Paula is here. I appreciate you joining us this morning. Paula and I will be celebrating our 40th wedding anniversary in June. 40 great years. [applause]

>> Mayor Reed: They were great mostly thanks Paula. I also want to thank Megan Monserat, C.C, Evan, Tyler, Alma and A.J. and I think a couple of them are still here. They do somewhere to go to school. Who you just saw in the video. Kids like these are an inspiration to solve problems Today so we don't pass on their burdens to them. [applause]

>> Mayor Reed: Think my fourth state of the city speech. I'm going to go back a little bit further to that, to my inaugural address in January 2007 when I set a new direction for San JosÉ government, one based on honesty, fiscal responsibility, and open government. Since that day, the city council has approved more than 90 ethical, fiscal and open government reforms, more than 30 Reed reforms, more than 40 sunshine reforms, and more than a dozen reforms from the mayor's biennial ethics review. We eliminated the practice of making back room deals and springing them on the public at the last minute. we stopped making public policy by surprise so you could participate in the debate. We made it much easier for you to get information about how we conduct the people's business And how we spend your tax dollars. We created a community based Budgeting process that engages the public and helps us adopt Budgets that reflect the values and priorities of our community. And we started down the difficult road of eliminating our structural budget deficit by Working with our employees and taxpayers to find lasting solutions to fiscal problems that have been years in the making. As we institutionalize these Reforms, these Ethical, fiscal, and open government reforms over the next few years we will permanently change the way City Hall Does business. To my city council colleagues who are behind me here today, you can be proud of your role in creating a city government the people can be proud of today and in years to come. In my inaugural address I also said that San JosÉ must remain the capital of Silicon Valley, and Silicon Valley must remain the capital, the innovation center of the world. I am pleased to note that we are still number one. The milken institute published a study last year evaluating tech centers, and San JosÉ/Silicon Valley is still number one by a large margin. But we can't rest on our laurels. We have to compete in a global Market. Our driving industry companies

have alternatives open to them around the world. That's why San José must be the best place in the world to start and grow a business so that the jobs our driving industries create stay here. We have had some great successes in making sure that our driving industry companies locate here, stay here, and grow here. So let me drop a few names of some of the companies that have done so in the last three years. Brocade, Ericsson, cadence, ultratech, nanosolar, Solo Power, Stion, Harmonic, Toshiba, Fortune Data Center, SVTC, Underwriter Laboratories, BAE, Fat Spaniel, Solar Junction, BioFuelBox, align technologies, and Equinix. All of these companies, and more, chose to invest in San José, creating jobs for our people and generating revenues that fund vital services. If you represent a business, if you're in the audience here today and you're representing a business large or small, that has added jobs or expanded operations in San José in the past three years, we appreciate your commitment to stay here and grow here. Let's give them a hand. [applause]

>> Mayor Reed: I also want the members of my staff to stand up. They're scattered throughout the room, members of my staff, come on, stand up, stand up, stand up, thank you. [applause]

>> Mayor Reed: It's my staff's hard work that makes it possible for me to do my job effectively. I really appreciate what they've done for me over the past three years. We've had a lot of second over the past three years and it's given us a strong foundation on which to build, but as we look forward, we have both huge challenges and great opportunities in front of us. The biggest challenge we face without a doubt is balancing our budget in the wake of the worst recession since the great depression, in a time when we must compete with the world for private sector investment and in a state where the legislature eats local revenues faster than Joey chestnut eats hot dogs. [Laughter]

>> Mayor Reed: It's tough. To some of us, it seems that after nine years of coping with these annual budget shortfalls that we are at the end of our rope. But I'm reminded of president Franklin Roosevelt had to say. He was battling both the great depression and World War II. He said, "when you come to the end of your rope, tie a knot and hang on." I am sorry to say that the global recession has hit us hard. It's now time to tie that knot and Hang on as we tackle a budget shortfall for next fiscal year of more than \$100 million. That's more than the entire budget for our parks, community centers, library and recreation programs combined. The bottom line? We are in a deep hole. Let's take a look at how we got here. First: Expenses have grown faster than revenues for years. The average cost per employee has gone up by 64% over the last nine years while revenues have gone up by only 18%. The net result is we have cut employees and reduced services. Second: Revenues are now going down. Sales taxes and property taxes are our two largest sources of General Fund revenues. Both have turned negative. The global recession is not helping us. The third factor is: We built a lot of new facilities over the past decade that have increased operating costs. Our new fire stations each cost \$2 million a year for new firefighters. Our new libraries and community centers each cost \$1 million per year to staff. In total, our new facilities cost an additional \$28 million per year, every year, to pay for operations and maintenance. The fourth factor is: We have to make huge new payments into the two retirement plans for city employees to cover the losses over the past two years. Remember that great recession? Well, we've had some losses. Payments from the General Fund into the retirement system will go up by more than \$40 million per year this year, and probably more the next year. The final factor is, The state of California regularly raids our treasury and helps itself to our money. Over the past 12 years, the state has taken more than \$500 million from San José. And the ongoing takeaway is more than \$45 million per year. Now, you're probably asking yourselves, how do we get out of this hole? The first rule when you're in a deep hole is to stop digging. To stop digging we have to stop allowing expenses to grow faster than revenues. Two-thirds of our budget goes into pay and benefits. That's why we have asked our employees, again, to make concessions to stop the fiscal hole from getting deeper. Our employees are dedicated and work hard to deliver high-quality services, and they are already doing more with less. San José has one of the lowest ratios of employees per capita of any big city in the country. I want to thank our employees for their hard work and the personal sacrifices they made this year to help save jobs and services. [applause]

>> Mayor Reed: In November, the council directed the City Manager to negotiate a 5% reduction in the average cost per employee and to negotiate a reduction in retirement benefits for new employees. It's clear after Tuesday's study session that 5% is not enough. We need every bargaining unit to give back ten to 15% to avoid layoffs. It's time for everyone to share the pain to save the jobs for our friends and co-workers. I hope you will. After we stop digging, the next step is to increase revenues. There are two ways to do that. We can ask the voters for a tax increase, and we can grow revenues through economic development. Our San José voters approved measures J and K last year and preserved nearly \$50 million a year in revenues. We are grateful for

those votes of confidence. However the prospects of getting voter approval for additional revenues are slim. If the city council achieves substantial reductions in costs per employee and reductions in benefits for new employees then I think we have a better chance of voter approval. But even if the voters were to say yes, that won't solve all of our budget problems. We need to grow our revenues by growing our economy. That is our greatest opportunity. And it is a huge opportunity, because San Jos  is the capital of Silicon Valley, the innovation center of the world. Our driving industry companies will continue to create jobs and invest in innovation, facilities, and equipment. The question is, will they do it in San Jos  so that we get more revenues? Tens of thousands of San Jos  residents have lost their jobs in the past 12 months. Our people need work. As the nation emerging from the Recession, as it surely will, we must do everything we can to capture the jobs and the tax revenues that our driving industries will create. It's pretty simple. We have to be the best place in the world to start and grow a business, because other states And other countries want our companies to move there. How do we best compete in this global market? There are five things that we have to do. We must consistently and relentlessly let our driving industry companies know that we appreciate their business, that we want them to stay in San Jos , and that we will help them to do so. I personally met with more than 150 Silicon Valley CEOs to deliver that message. Councilmembers and staff have been doing the same. So have our business leaders. Pat Dando, Carl Guardino, Russell Hancock, we appreciate your help. The second thing we have to do is when our driving industries are ready to relocate Or expand, we must work at the speed of business. The many CEOs I've talked to say it's the most important incentive we can provide. In fact, many companies like Brocade, SoloPower and nanosolar Scion, would not have invested in San Jos  if we had not been able to meet their schedules. Without our ability to work at the speed of business, thousands of jobs would have gone elsewhere. Deb Figone, Harry Mavrogenes, Rick Doyle -- thanks for the hard work being done by your staff to make it possible for San Jos  to capture these opportunities. I especially want to thank Joe Horwedel, Ed Tolentino and the development services team who work long and hard to keep projects on schedule. I am proud to say, no other city Does it better than San Jos ! [applause]

>> Mayor Reed: I know there are some CEOs, some venture capitalists, real estate investors, and business leaders in the audience this morning, so just in case I haven't already Told you personally, San Jos  Wants your business. When you get ready to expand or move, call me. My number is 408-535-4800. I'm in the phone book. The third thing we have to do is invest redevelopment money wisely. You all know that we have a lot less money to work with because of the recession and the state takeaway of \$75 million in redevelopment funds. so we have to focus our limited funds on generating revenues and jobs. the fourth thing we have to do is work with our silicon Valley companies to ensure that federal and state laws and regulations do not penalize innovation, increase the cost of creating jobs, or make global competition harder. That's why we created San Jos 's clean tech legislative agenda to identify and remove impediments to growth and to support innovation and investment. The final area that we have to do to be successful in growing our economy is we have to attract, continue to attract and retain creative, talented, hardworking people from around the world. To do that, we must protect and preserve our environment, build An efficient transportation system, and provide safe neighborhoods with good schools. When it comes to safety, San Jos  is already one of the safest big cities in the country, thanks to the dedication of our firefighters and our police officers. But that's not good enough. We will continue to make our city safer. I want to thank the San Jos  Police Officers Association and our officers for their willingness to help improve what is already one of the best departments in the nation. The men and the women of the police department deserve our support and our gratitude. [applause]

>> Mayor Reed: The men and women in our police department deserve our support and gratitude for the work they do every day. Despite a great deal of criticism that's been focused on a tiny percentage of cases they continue to risk their lives to protect us as they patrol the streets every day. When our people need help, they respond. So on behalf of a million people of the City of San Jos , I say thank you! [applause]

>> Mayor Reed: Last year, the men and women of our police department answered Over 400,000 emergency calls for Help and they made more than 25,000 arrests. A lot of attention has been given to the use of force, but keep in mind that force is used in a very small number of cases, less than one half of 1% of the calls for service involve the use of force. We will continue to work on resolving issues around the use of force. But it is not fair nor productive to make sweeping generalizations about the entire police department based on a small number of incidents. It's time to reholster the rhetorical revolvers. Lay down the weapons of mass exaggeration and set aside other agendas. Let's focus on the facts. [applause]

>> Mayor Reed: Focus on the facts, identify real problems and then implement effective solutions as we have in the past. For example, the number of officer-involved shootings has dropped dramatically over the past five years, thanks to giving our officers alternatives to the gun along with appropriate training and leadership. And let me remind you that our officers are doing more with less. Even though we have added officers over the last three years, our number of officers per resident is still one of the lowest of all the big cities in the country. Our homicide rate is also one of the lowest of all big cities, And we are thankful of that. and our officers solve those. homicides at one of the highest Rates of all the big cities in the country because they work very well in collaboration with our diverse community. Residents, neighborhood leaders, community organizations, businesses and the San JosÉ police foundation all help our officers. Preventing crimes, solving crimes and getting violent criminals off our streets are community efforts. in San JosÉ. This effort directly contributed to a reduction in the number of gang homicides in 2009. I want to thank the brave Officers and the prosecutors who Take on the dangerous work of Investigating and arresting and Prosecuting violent gangs who traffic in murder and mayhem. [applause]

>> Mayor Reed: Their courage and dedication has made our community safer. Chief Davis and District Attorney Carr, your men and women are protecting us. Thank you for your leadership. [applause]

>> Mayor Reed: We're also working in collaboration with Santa Clara County and community organizations to reduce the number of Latinos involved in the criminal justice, juvenile justice and dependency systems in Santa Clara County. our project with La Raza round table and Harvard law school is off to a good start. Research underway by the Consortium for Police Leadership in Equity will guide us as we continue to work to improve police practices and the relations between the police and the community. Many community groups and community members have been willing to work with us in a constructive manner. and we appreciate your help. We know from the success of the mayor's gang prevention task force that collaboration and innovation work. San JosÉ is the model for the State and a model for the nation in dealing with gangs. Mayor Susan hammer recognized years ago that San JosÉ needed To address the gang issues proactively and started the task force. Mayor Hammer, I know you're here and thank you for starting the task force. [applause]

>> Mayor Reed: City council made a wise decision in June 2007 to approve an increase in funding for the mayor's gang prevention task force. That increase in funding made it possible to reverse the increase in gang violence that had started in 2004. through the collaboration and hard work of our police officers, our Parks, Recreation, and Neighborhood Services staff, community groups, nonprofits, schools, churches, and Santa Clara County's leadership, we have reduced gang violence for the last two years. That's a major accomplishment. I want everybody who has worked with the mayor's gang prevention task force for the past two years to stand up, we want to thank you. Come on, stand up. [applause]

>> Mayor Reed: Despite our success, our work is not done. Gangs are filled with kids who are failing at school. Prisons are filled with adults who dropped out of school. We have to stop the conveyor belt of failure that dumps poor-performing students into gangs and prisons. 40,000 of our students in public schools are not performing at grade level. We cannot accept that. 60% of Latino kids and African American kids are not performing at grade level. We cannot accept that. We do not accept that. That's why we are coming together to implement the San JosÉ 2020 initiative to close the achievement gap. Together, together, and this is collaborative, it only works in collaboration. Together, we will ensure that All of our public schoolchildren are performing at grade level or higher and our city will be safer. I want to thank our county superintendent of schools, Dr. Charles Weis, Chuck Weis, as I know him. Thank you, Chuck. If your organization has not endorsed San JosÉ 2020 initiative, table 46, Chuck Weis will sign you up. We know it can be done. A recent article in the New York times highlighted two schools in San JosÉ that already have closed the achievement gap. I wanting to congratulate Preston Smith, who was the principal at rocketship Mateo Sheedy, and destiny Ortega, who is the principal at Anderson elementary, for proving in the words of Cesar Chavez, sí se puede. [applause]

>> Mayor Reed: As we look to the future, we know we're going to grow our economy, we're going to create jobs and our population will continue to increase. Yet we still will protect and preserve Our environment so that future generations will enjoy clean water, clean air, and open Spaces. The key to doing this is our Green Vision. San JosÉ will be the clean tech innovation center of the world with 25,000 green jobs, and we are well on the way with dozens of clean tech companies making San JosÉ home, providing 3,000 jobs, and continuing to grow even during the recession. As President Obama said, "the nation that leads the clean energy economy will be the

nation that leads the global economy." Mr. President, we agree. And San José will be the city that leads the region that leads the nation that leads the world in clean technology. [applause]

>> Mayor Reed: For our region to lead we need Significant investments in our transportation network, and 2010 is going to be a big year in transportation improvements. We will finish \$1.5 billion of new construction at the airport, under budget, and ahead of schedule. That's great news. Way to go, Bill Sherry and Katy Allen. [applause]

>> Mayor Reed: Our new airport will provide comfort, convenience and safety with the country's most advanced baggage screening system. We appreciate the assistance we got from the federal government to design it and fund it. Thanks goes to TSA and our congressional delegation for their help. You are all invited to see the new airport at a grand opening celebration in late June. Then I hope you all will join me in a community-wide effort to restore flights and build passenger levels that have been hit hard by the recession and construction. Fly San José! [applause]

>> Mayor Reed: As we look further into the future other major transportation improvements are moving ahead with great benefits for San José: Projects to rebuild the 280/880 interchange and improve 101 through San José are moving ahead. We have secured over \$100 million in new funding from the Metropolitan Transportation Commission, thank you Ken Yeager, Dave Cortese and Dean Chu, the California transportation commission, thank you Carl Guardino, and the American recovery and reinvestment act, thank you Mike Honda, Zoe Lofgren, Dianne Feinstein, and Barbara boxer. We're also moving ahead on extending BART through San José connect San José to San Francisco and Southern California via high speed rail, and connecting the airport to our transit systems with an automated transit network. Downtown San José will have a vibrant transportation hub connecting multiple transportation networks to HP HP Pavilion, downtown restaurants and businesses and a new major league ballpark. [applause]

>> Mayor Reed: That's the kind of vibrant city our creative, talented, hard-working residents want, a city with lots of arts, culture, sports and entertainment activities. so this year, we'll complete the renovation of the historic civic auditorium, bringing more live music to downtown. The San José earthquakes just broke ground on new practice fields, thank you, Lew, and construction is underway on an exciting new urban market at San Pedro Square. Happy hollow park and Zoo reopens next month. I can't wait to take my grandson to ride Danny the dragon. He'll be back! [applause]

>> Mayor Reed: And this year, we'll begin expanding And renovating the McEnery convention center. That would be this place. [applause] And somewhere in the audience is mayor Tom McEnery. Thanks for building this thing, Tom, it served us very well but it does need a little work. Don't look at the ceilings folks. Whatever you do don't look at the ceilings. There is a little work there as well. And I'm going out on a limb here. And I predict that we'll get. Voter approval to move ahead with a major league baseball stadium in San José. Go San José A's. [applause]

>> Mayor Reed: Yes, good things will happen this year. We also have to look a lot of years out into the future. The children from Horace Mann school who you saw in the video earlier represent all of our children and grandchildren. Their dreams and aspirations depend on us. We hold this city in trust for them. We have had great blessings in this land of freedom and opportunity because of the work of our predecessors. But what kind of a city will we leave for our children? I pledge to leave for our children and our grandchildren: A city that is a beacon of peace and prosperity, that demonstrates to the world what happens when people from around the world come together and focus on what they have in common. A city that is the world's center of innovation, where the world's most innovative companies create jobs, wealth, and products that improve the lives of ordinary people. A city that has great neighborhoods that provide A sense of community and safety. A city with great schools that make it possible for all children to achieve their potential, no matter their race, ethnicity, religion or economic status. A city that protects its environment, preserves its open spaces, and shows the world how to be sustainable, while continuing to provide jobs and Housing for all of its people so that homelessness is a relic of the past. A city that is honest, open and fiscally sound. A city we can all be proud of. I know this is a bold pledge to make in these tough times, especially as we cope with challenges that may appear to be overwhelming. But I ask all of you to join me and make a personal commitment to a better future through your best efforts, no matter how tough the times may be. As president Abraham Lincoln said in the depths of the greatest challenge our country has ever

faced: "I do the best I know how -- the very best I can; and I mean to keep on doing It until the end." Ladies and gentlemen, I ask you To join me in this pledge. The children of San JosÈ, our children and our grandchildren, deserve no less. Thank you for being here today. Thank you. [applause]

>> Mayor Reed: Looks like I'm going to close it out, Jennifer, Manny, there you are. Time to close it out.

>> Manny Barbara: Thank you to the mayor for those inspirational words. I would like to thank my co-emcee, Jennifer Andaluz founder and director of downtown San JosÈ prep.

>> Jennifer Andaluz: There will be people at the exits handing out some information about the San JosÈ parks foundation and happy hollow. Have a wonderful day, everybody, and smile, as the kids say, from Horace Mann. [ òmusicò ]