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>> Mayor Reed: I'd like to call the Council meeting to order. We have the entire councilmember here in the chambers, and we're going to dial in Councilmember Constant by telephone. We think. As soon as we get him up, we'll announce that. Councilmember Constant appears to be on the moon. From the sounds of that he's certainly out of the country. Councilmember Constant, are you on the line there?

>> Councilmember Constant: I can hear you mayor.

>> Mayor Reed: We can hear you. Present here for this meeting are the entire city council, in the chambers, with the exception of Councilmember Constant, Councilmember Constant you are hooked up by telephone conference and we can all hear you. So because we have this telephone conference tie-in there's some differences of the way we'll run the meeting, only slight differences. But I think we're prepared to go. So Councilmember Constant are you still there?

>> Councilmember Constant: Yes I am.

>> Mayor Reed: We have one agenda item before us this afternoon that we weren't able to finish on the 22nd, our last meeting. So we adjourned to this meeting. That's item 3.3, adoption of annual appropriation ordinances and annual funding sources resolution for fiscal year 2010-11 budget and a resolution establishing the fiscal year 2010-2011 appropriation limit. A lot of work has been done the last week, and I'd like to give Jennifer Maguire a chance to bring us up to date on the work that's gotten here. I know A lot of people have worked a lot of hours in order to prepare the documents for us to act on today, and that there's work yet to be done after we finish today. So Jennifer, if you want to give us a summary of what has happened.

>> Jennifer Maguire: Thank you mayor, Jennifer Maguire, Budget Director. What you have before you is a 101 page document that basically takes the proposed budget, that we put out on May 1st, and amends that, documents every amendment to that document from a budget perspective on the source side and the use side by the council, approval of the budget which includes the rebudget and cleanup actions, couple other MBAs that had budgetary implications on them, as well as the items that were included in the mayor's message as amended by

the city council and the concession, nonsworn service restoration by back proposals. We did comment and recalculate all that and that's what is documented in this large document. On page 2 of the cover memo it does summarize the changes based on the budget recalculations on the employee concessions. So in the end of the day, we needed to -- we had instructions on the recalculation. If we were short, to use the filled position elimination, elimination expenditure impacts reserve, we did indeed need to use that entire reserve of \$1 million because of the loss in overhead and other reimbursement changes, primarily to the RDA reimbursement to the city. We also did, per the instructions of the mayor's message, as approved by the council, was able to increase the funds to minimize police layoffs. We added another \$751,000 to that line item, along with restoring the -- three of the sexual assault investigation unit positions that were being eliminated. So in the end of the day we have \$1.2 million available to minimize police layoff. Our rough estimate of that would say that the police layoff can be delayed for about two months, through the end of September. And we would -- and there would be about 10 -- there would be 10 less people being laid off through that action by vacancies based on estimated attrition of that department. So that's the quick summary of this document.

>> Mayor Reed: Okay, well thank you for all the work that got done in the last week. I know there is more work to go. If I recall, you need at least 36 hours to populate the system with the data after we're done today.

>> Jennifer Maguire: And that's primarily the Finance Department and the I.T. Department will be doing that so we have a budget ready to go by July 1st. So that's some more work to be done in conjunction with our department. But I do want to recognize the entire budget office staff who again was here until midnight many nights a week, this last week, and also this weekend, working to put these numbers together. Because it was something we have not experienced before. We hope we have all the numbers correct, but we did put a little caveat in there, we might need to make some adjustments to the annual report, but we feel fairly confident with the numbers we put before you.

>> Mayor Reed: All right, we have questions from the council. Councilmember Nguyen.

>> Councilmember Nguyen: Thank you, mayor. I just want to state from the record that I will be recusing myself from voting on any matter that relates to fire station 33 because I live within 500 feet of the fire station, and also the Indian health center of Santa Clara County because I serve on their advisory board.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: Yes, I need to recuse myself on the HNVF, the children's health initiative, because I serve on the Santa Clara Family Health Plan Board.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I am pleased, very pleased, to hear that we are going to keep our police officers a little longer. And so that may give us a chance in between to think in terms of ways to fund that in another way, brand-new way, something else, maybe from the community. So I really appreciate all those hundreds and thousands of hours that you put in. And sleep deprivation is one of the worst things you can do to a person so thank you very much for that.

>> Mayor Reed: I have some requests from the public to speak on this matter. I'll take that testimony at this time. And Councilmember Constant, if you have anybody there that wishes to speak from the public, we'll take them at the end of this list. Please -- Councilmember Constant, I'm sorry.

>> Councilmember Constant: Yeah -- no, mayor, there's a couple of people here, but nobody wants to speak.

>> Mayor Reed: Okay, well, that's good. But they have the opportunity. Let me call a few names. Please come on down when I call your name so you're close to the front. Josh Lee, Betsy Arroyo, Pancho Guivara.

>> Hi, mayor and councilmembers. My name is Josh Lee. I'm with the international brotherhood of electrical workers IBEW local 332. And I'm speaking on behalf of the city council, the city custodial workers whose jobs are

being eliminated, and I want to say that it is a shameful fact that we are resulting to taking away the lives of so many with so little. These priceless members of our community have to pay and sacrifice for a budget that is crippling, mismanaged, and slightly slanted towards profit versus a base for the essentials. I believe that it's wrong to cancel the game because you don't like the score. Let's just play better. That's it. Thank you very much.

>> Mayor Reed: Betsy arroyo, Pancho Guivara, Jerry Fox.

>> Mayor, councilmembers, I'm Betsy arroyo, I've lived in San José my whole life, 58 years. And I really value that you took an extra week to hear this. And it's not too late to make the right choices. For the city, and our workers. Picking on the most vulnerable in a time great stress does not reflect the reasons we elected you. I keep trying to put myself in the workers' shoes. Some people have worked up to 28 years in service to this city, trying to do the right thing for their family and the public, and earning a decent living which supports them in their basic needs. And these people can wake up and realize that their employer, us, the City of San José, who they've served for so many years, is going to choose a budget strategy which will leave them unemployed overnight, and coming back the next day to reapply for that same position, at half the wages, and without the health care, paid sick leave and retirement benefits that they've earned. In many cases, these workers are actually, right now, helping to train and test their replacement. It's really awful to treat someone who's worked so well for us, in such good faith, that way. We just shouldn't do it. Please do the right thing. Thank you.

>> Mayor Reed: Pancho Guivara, Jerry Fox, Joe Kenny.

>> I also want to thank you for taking the extra time to work out a budget that's going to work for the city. I want to add to the course of concerns around these janitorial staff. My grandfather, as a matter of fact, worked for the city of Mountain View for many years and knowing the stability he had to be able to provide for his family because of that really created the opportunity for my family to actually move out of poverty as a family. And it concerns me greatly that we're look at budget strategies like this, and we're not taking a little bit longer. I see the lines that are growing at Sacred Heart, and our aspiration is for folks to actually get a decent paying job and actually get rewarded for a hard day's work. And it does concern me that there will be a situation where there will be certain

folks that are coming that were able to make the bills pay, and they are not going to be able to now. So I am concerned about that. I appreciate the hard work that goes into it, I'm not going to point a finger at anyone, but taking some extra time to be able to figure out how do we do right by these workers in particular would be really beneficial. Thank you. God bless.

>> Mayor Reed: Jerry Fox, Jo Kenny, Raymond Espinosa.

>> Mayor, members of council, I'm Jerry Fox from St. Paul's United Methodist Church. I'll tell you a brief story. A long time ago I was a janitor, and one night my supervisor asked me, what are you learning from this experience? And I said, I'm learning that's why I want to stay in graduate school. And he took a long pause and he looked at me and he said, you won't be a good pastor until the arrogance in your voice leaves. And clean this floor so that if your mother comes tomorrow, she'll be proud, because I'm going to check on her behalf. So there are a lot of folks who help us be in the great city and I hope and pray that there's a different way than some of the ways that I've heard can go on and the negotiations will continue in some way so that the folks who are currently serving us, even though it means a large cut can be a part of who we are on a regular basis. Thank you.

>> Mayor Reed: Jo Kenny, Raymondo Espinosa, Linda didis.

>> Good afternoon, mayor, city councilmembers. My name is Jo Kenny, and I'm with Pride at Work, AFL-CIO. Last week we were here commending you all for a job well done, of negotiating with the unions to come up with a win win situation. In fact all of you spoke about how proud you were for that win. However, it now appears that negotiations are reserved for your white collar professional workers. You have decided that you don't even have to sit down to negotiate with the custodians, despite their saying they'll give you a 20% give back. 20% of a top salary of 40 some odd thousand dollars is a lot of money. You can just eliminate their whole work unit by outsourcing. I have to say I find it particularly dishonest for San José leaders to lament good-paying jobs leaving this valley to be outsource into another country and then turn around and say, you're going to do the same thing to the workers here. Are the people who clean your offices not deserving of the same amount of respect that you give other city workers? Well, this is the message you're sending to your community. You don't care about city

workers with the lowest wages. You don't care about a work unit that is primarily people of color, and immigrants. And you don't care because they're not important to you. If you don't want this to be the message, if this is not your intent, then I ask you to please reconsider outsourcing these positions. Thank you.

>> Mayor Reed: Raymond Espinosa, Linda Didis, followed by Dina Miranda.

>> Good afternoon, mayor and council. My name is Raymondo Espinosa, I'm with Gardner Family Health Network. As a CEO I understand the strategy, but as a CEO and a human being, I think that and I hope that you can do better. I remember when I was little, and my dad was a farm worker and by the time I came around he actually was upgraded to work in the packing shed. So that was my existence. And I remember the times when he would -- to make additional dollars, go to the pool hall and play. And I remember we would be excited, those were fond memories because we would be woken up at night because it was really good and he would get some money to supplement the income. We would go buy food and then we would go buy shoes and clothes for school. And a lot of times even though those are fond memories and I was a blessed child in that I made better than most of my family, after the fact, after I went to college and I realized that I was poor, I realized that the impact that poverty had on our family and my family, my mom was in a mental institution when I was ten. My sister took over as the mother figure and she died when she was 20. And as I got older of course and I was at the university, Stanford university, my other sister committed suicide. And along the way, you know, my brother had a heart attack at 34. So the impact of poverty is significant, I guess that's the message and I see it in our facilities every day. You know, the uninsured is increasing and the number of poor is increasing. And I just hope that you look at this and not put the janitors in this position. Thank you.

>> Mayor Reed: Sorry your time is up. Linda Didis, Dina Miranda, Paul Pringe.

>> Hi, my name is Linda Didis. I'm the business agent for MEF AFSME and the union representative for the custodians and facility attendants who are mostly but not all, being completely, 100% wiped out. We've been engaged for about two months with the city around meet-and-confer on the contracting out of the custodians and the meetings have been far and few between mostly because the city not to anybody's fault I guess has been

really busy with the other unions in negotiations. But because of that the meetings we've had were delayed and we've had problems coming on to moving on and moving on and moving on and one of the things that we eventually did last Monday is say okay, we are very interested in saving these workers, what is it that we can do as a bigger body that might help these custodians. It wasn't like we were playing games to try to figure out some game playing that was going on in our part. We think that is competition policy should be used. We want it to be used. We are still in negotiation with the city over this issue. We have written to Mr. Gurza, and I'm going to given you letters, because I didn't copy you. And Mr. Gurza is also said he was open to continue to negotiate with us. But we are receiving information that says that the council has said that the competition policy is not going to be used and it's a done deal. We hope there's reconsideration on that and I don't think it's too late. We don't think it's too late. It wasn't too late for the police and the firefighters and it shouldn't be too late for the custodian and the facility attendants, thank you.

>> Mayor Reed: Dina Miranda, Paul Prange, B. Chun.

>> Good afternoon, mayor and city council. My name is Dina Miranda. I have worked for over ten years as a custodian at the City of San José airport. I did everything right to get this job and keep it. I also live in the city of -- Evergreen district. Now the city wants to contract all the custodians at the airport and the city to save money. They are laying off only 6% of the highest paid managers but 100% of the lowest paid workers. The highest paid employees get to keep their jobs, their expensive sick leave, payout their extra executive leave and vacation sell back. The haves still get and the have nots still get kicked to the side. Thank you.

>> Mayor Reed: Paul Prange, B. Chun, Rebecca Kaiken.

>> Hello, my name is Paul Prange. I'm here to read a statement from Yolanda Cruz, AFSME MEF president who is not able to be present today herself. She participated in a process to review, revise and update the competition policy for the City of San José approximately one year ago. It was a fair and reasonable process that included all interested stakeholders from the chamber of commerce, community, labor and city staff. The primary reason for revising the competition policy was to establish a fair and equitable way for the city to, when necessary, explore

alternatives to the way we provide services that meet the needs of the citizens, employees, and business community. Unfortunately we find ourselves in a situation where the competition policy should have been used for the custodial services, but instead the city's senior management has chosen to recommend that we not use this process at all. Our city custodians take pride in the work they do and are contributing a significant service for our residents and visitors of San José. They are not in the spotlight and they are often taken for granted but the work they do is one of the most important jobs we provide. The first chance you have to activate the competition policy, you are asked to do exactly the opposite. To say that in order for us to balance the budget on the backs of our city custodians is not only unfair but shameful. In this challenging budget time we must not surrender our values and sacrifice one of our most valuable groups of employees who work so tirelessly to clean and maintain our facilities. Now is the time for you as elected officials to protect the investments you have made and spend our taxpayer dollars on. Unfortunately all too often the services that are contracted out on initial execution show a cost savings but then additional costs are incurred and that shrink or even eliminate the true savings. And last week you were faced with several --

>> Mayor Reed: Thank you, your time is up.

>> Mayor Reed: B. Chun. Rebecca Keiken, David Wall.

>> Honorable mayor and council, I stand before you today to speak simply because it would be strange for me not to speak. I'm the pastor of Christ good shepherd Lutheran church. And you've passed a budget which you say is fiscally necessary and which the public wants. I am also the public. And I do not want this. And I realize that I am in the minority and so this is a minority report. But even so, there has to be a record of it. Just as there has to be a record of how you voted, eight for the budget and three against. So I simply wish to stand here and to say out loud that I have not been convinced so far by any argument I heard that it was necessary to pass the budget this way. And our congregation collects food and every month we give 40 bags of people, many of them hold jobs but what they earn is not enough to make ends meet. So I feel like it is not good enough to simply keep giving food month after month and year after year and never ask the question, why sit that people go to work and yet

cannot feed their families? So they have to be jobs that pay well. Please do not cut them. So I simply deplore your action and I simply had to say that.

>> Mayor Reed: Rebecca Keiken, David Wall, Diane fisher.

>> My goal today is to draw upon the sacred texts and traditions of all the faiths that you represent here and to break your hearts open. Mica, and what does the lord require of you but to do justice and to love kindness and to walk humbly with your God? Jesus, bless you, poor, downtrod, claim the reign of God. God sees things reversed, the last will be first and bliss all who thirst for what's true, and just, hunger for what is right, thirst for truth and light, and from the sabbath of repentance, a prayer from the reformed Judaism, though there is grace for us and a deep long for goodness, we have often denied our better self and refused to hear your voice within us calling to us to rise to the full height of our humanity. In times we choose to walk in darkness, our vision obscured, we do not care to look within, and we are unwilling to look beyond at those who need our help. May your hearts be broken open, and may you make a good choice on the behalf of 75 janitors. Amen.

>> Mayor Reed: David Wall, Diane fisher, Fred Hirsh.

>> David Wall: This is the second time in less than a year that I've come after a representative of the almighty, and it is an exceptionally hard act to follow. But what is not given to this learned group is the compassion that you all deserve. You're elected folks. You put your names out on the line. You campaigned and you got elected to make decisions. And you have made a decision, and not one of you like it. You're all good and compassionate people. And you should be given the respect and accommodation for that duty. Madam City Manager you of all who sit before me have the hardest job in this city. You have done the best could you do with the resources at your command. And I give you accolade for that. The rest of you, you're all very decent and good people. And I hope that people that sit behind me remember that they had the opportunity to sit where you're at, and they chose a different path, and their words should reflect that choice. Thank you very much for all the decisions that you're going to make.

>> Mayor Reed: Diane fisher, Fred Hirsh, Omar Torrez.

>> Good afternoon, I'm Diane fisher, director of the Jewish community relations council in Silicon Valley. As part of the diverse faith community here in San José, the Jewish community would like to raise our voice to the expression of a moral imperative on the issue of economic justice and specifically how the City of San José pays its janitors. The Jewish perspective on this issue comes from a very specific statement in the Hebrew Bible who says, you shall not oppress a hired servant who is poor and needy, whether he be of your brothers or of foreigners who are in your land within your gates. Our city janitors are clearly among the workers with the least economic security and yet the current proposal is asking them to sacrifice the most. The second part of that biblical quo whether he be of your brothers or of foreigners who are in your land also speaks directly to the situation since 85% of the workers we are talking about are Latino. And I feel strongly that our city government needs to be a positive example for other employers, that employers are truly kinsmen with their employees and they ought to treat them as such. I would like to share one other relevant piece of Jewish wisdom from Genesis: Remember the sabbath day and keep it holy. The establishment of a day of rest from one's labors which was recorded 1500 years ago, undoubtedly inspired our current two-day weekend and time off for vacation and sick leave. So it is absolutely amazing and regressive that the current proposal for city janitors requires them to work 12 consecutive months to qualify for their first one week of vacation, and more shockingly 24 consecutive work months are required to qualify for two sick days. This reminds me of how Jewish garment workers more than a century ago struggled with the same kind of treatment and I appeal to our city governments not to put our Latino brothers and sisters in this oppressive situation and come up with a more moral and humane agreement. Thank you.

>> Mayor Reed: Fred Hirsch, Omar Torrez, Edon.

>> Good afternoon, Mr. Mayor and members of the council, my name is Fred Hirsh. I'm a member of the executive board of plumbers and fitters local 393. And I'm simply appalled that this issue can even be under consideration. to be victimizing the most vulnerable people in city government, workers for city government. I know how hard it will be for the workers who are fired. And I think I know from what I've seen in the poverty ridden

section of the valley, and I just came back from Detroit, which is in even deeper economic problems than San José. What it will mean for their kids, in terms of health care, in terms of malnutrition, in terms of not having the opportunities to develop as others would. And I think it's a distinct lack of courage on the part of any member of this council who would think to vote for this, when you've not spoken out against the \$3.5 billion that San José taxpayers pay in total defense spending in this year, 2010, for the same amount of money you would have no problems about firing any city employee, no problems about reducing any wages, any conditions, any pensions. That money would pay for health care some for 1,435,077 people. That money has got to be brought back, and you've got to speak out for it before you feign to victimize the most vulnerability.

>> Mayor Reed: Time is up.

>> Your shame --

>> Mayor Reed: Your time is up. Omar is our next speaker, followed by Adon and Lisa Filbert.

>> Good afternoon, Omar Torrez, this is my third week speaking here, I feel it is my second home. But of course I'm here for work class families and, as usual, we're here to support our fellow co-workers, the hardworking janitors. The janitors here at City Hall and elsewhere are hard workers not only at work but in life. They are wonderful fathers, wonderful mothers, wonderful uncles, aunts, et cetera. Trying to make the best for their families. Please do the right thing, keep their livelihood in place, do not lay them off and contract out their jobs. Extremely important. Balancing the budget on the backs of working class families like our fellow janitors is a very shameful thing to do, so please do the right thing, keep them on the payroll. Thank you very much.

>> Mayor Reed: Adon, Lisa Feldberg, Zelica Rodriguez..

>> Hello everybody, councilmembers and mayor. Here to talk to you guys about the issue. We have 75 janitors, right? It's hard, I know it is. I've got the opportunity to talk to fellow, some of the janitors here and this lady was telling me about her daughter, how she was breaking the barriers and going to college, she was living in East San

José and helping that. Here we got a Latina young woman going to college and here we got government trying to take their jobs. Guys, let's help do the right thing. We need to save them. They're doing good things. At the end of the day, the fire, the cops, city council, mayor, everybody represent that same seal, the City of San José. So let's treat everybody with respect. Thanks.

>> Mayor Reed: Lisa Feldberg, Zelica Rodriguez, Tony Alexander.

>> Mayor and councilmembers, my name is Lisa fellberg, district 3, recently retired after 23 years of service. Sorry, I've spoken many times but I'm very emotional about this issue. My entire working career I've worked with other city employees and our union to be sure that city workers were able to earn sufficient wages to live in the city where they worked. Contracting out the city custodians in my opinion is comparable to manufacturing plants closing their doors and moving abroad. Cheaper is not always better. It often ends up costing more, in the long run. And of course, it sets the trend of lowering the standards for all of us. The message I'm hearing is that we do not value our city employees and that we can look forwards to having only part time or contract workers for all city departments in the future. Who can support a family on 12 or \$14 an hour? The custodians have offered significant give-backs and compromises, as alternatives. I urge you to find a way to keep the custodians and the clarification in the city family. Thank you.

>> Mayor Reed: Zelica Rodriguez, Tony Alexander and Sam Gremilch.

>> Good afternoon, mayor and councilmembers, my name is Zelica Rodriguez, and I'm policy director with Siren Services immigrant rights and education network, and I'm here to ask all of you just to keep in mind that we are -- it's not responsible to balance the budget on the backs of low income families and immigrants. And you know, the state is currently going through balancing a \$19 billion budget. So that we don't have safety -- social services in place right now. So to keep that in consideration when we're talking about eliminating 75 jobs there really aren't any other alternatives and in fact will result in even more extreme circumstances for people who are jobless. We are not in a situation where we should even be considering eliminating jobs. We need a strong workforce, we

need to preserve jobs and we need to preserve sustainable wage jobs. I want to you consider now is not the time to be letting people go because there are no viable alternatives for their survival. Thank you.

>> Mayor Reed: Tony Alexander, Sam Gremilch.

>> Mr. Mayor, councilmembers, my name is Tony Alexander, it's been a while since I've been in front of you because I've been out traveling and seeing different parts of the world where they also have different choices to make, too. Also I've kind of stayed away because it's very hard to see your own city go down a path that is very difficult for you to continue to watch. Especially the councilmembers that I know and I've talked to all the time, it's very difficult to see that. What is going on with the janitors, and what you have to do or what you're attempting to do I think is wrong. What's going to end up happening is, you're going to go ahead and contract out and then you're going to see that janitor that was employed by the City of San José and you're going to see them in a different light. They're going to get hired back but at a reduced rate. When you walk past them and you see them and say how are you doing, you can sometimes see it's the same but it's going to be different. Because their wages, it's not going to be the same. And those are some of the things that we have to think about when we go in and we see folks that we saw before, you said hello, you said, hey, how are you doing? It's not that way anymore. Those are some of the decisions and things you're going to have to look at and understand that it's not the same anymore. That you can't look at that same employee because one, they're not examine employee of San José anymore. Those are some of the things you are going to have to look at. I urge the council not to contract-out because it starts a path. Soon everyone that will be -- will have worked here, will be contracted out. And we say no, it's not going to get to that point. Well, it's to that point. So I just want you to remember that. Contracting out, we're going down the wrong path and we cannot do that. We need to support our janitors and the rest of our city workers. Thank you.

>> Mayor Reed: Sam Gremilch.

>> Good afternoon, Mayor Reed, City Manager Figone and councilmembers. My name is Sam Gremaldo, I'm facility attendant, and due to the budget cuts, I will be custodian. And what that means, the layoff that will be

happening, it will affect me and my family and my livelihood. It was a privilege working with all you guys, and I really love serving and working with you and for you guys. I gave you guys 100% of my time. I had 1200 hours of sick leave. To show my dedication and appreciation working for you guys, I just ask, I know you guys probably already have your decision made up. If you guys do contract out and you guys want to keep a handful of custodians, I ask and I change that, I plead to you guys if you guys can give us some time to go try to find a job out there because right now it's like finding a needle in a haystack trying to find a job out there. But if you guys let us go by July 30th, it is going to be hard for me to support my family, as well as other custodians. They have houses and homes, and I know you guys don't want to lose homes for foreclosures, because this is going to hurt the city even more. We are willing to stay long, I just ask if you can give us some more time, stay with the city, help us get some time to go look for another job to support our families and all that. I really appreciate if you guys can put that into consideration and thank you for your time.

>> Mayor Reed: That concludes the public testimony for those in the chambers. Let me check and see if Councilmember Constant is still online. If anybody there wishes to speak.

>> Councilmember Constant: Could you repeat that, mayor? I missed that.

>> Mayor Reed: Is there anybody there that wishes to speak during the public comment?

>> Councilmember Constant: No, sir, thank you.

>> Mayor Reed: Okay. A couple of things. First, is while there's been a lot of testimony here today about the janitors, the budget that's been approved by the council will result in the layoffs of probably between 4 and 500 people, those can be avoided in part certainly if concessions are achieved from some of the our bargaining units. Our staff continues to meet and negotiate with police union, fire union, MEF, CEO, and I think ABMEI as well. And if we do get tentative agreements those can be posted as soon as they're received. And put on the council agenda for August 3rd. So we'll continue to negotiate, in hopes of either gaining some additional concessions that will save some jobs. But we're talking about more than a couple hundred police officers and

firefighters who are some of our most highly paid people as well as many other categories of layoffs. When we started in this process, it was about -- well, months and months and months ago. We needed 10% concessions from everybody in the city which would have avoided almost all of the layoffs. We're appreciative of the concessions that we received from the bargaining units we've come to agreement with and we continue to negotiate with the rest. And if we reach tentative agreement, those will be on the agenda August the 3rd. Let's see if Jennifer Maguire has anything to add before we get a motion.

>> Jennifer Maguire: That's all. Thank you.

>> Mayor Reed: Okay, Vice Mayor Chirco.

>> Councilmember Chirco: I'd like to move approval of this final document. And if -- I'd like to speak to the motion.

>> Mayor Reed: Okay, so we have three items under 3.3. 3.3 A, B and C. The motion includes approval of all those related?

>> Councilmember Chirco: Yes it does.

>> Mayor Reed: Okay, we have a motion on the floor. Vice Mayor Chirco.

>> Councilmember Chirco: I would hope and pray that there can be a solution. It is very hard. I spoke to Rebecca Keiken before the meeting. I don't think anybody up here will say this is fun, that this is their first choice. But we have to have a balanced budget. But there is still time. And if everybody comes to the table and puts a little something on the table, we would possibly be able to save the janitors. I personally would like to see an attrition model where our janitors retain our jobs and we do do contracting but it preserves the janitor jobs. But that's not in the budget right now. I'm hoping that during July and coming up to August we could preserve the janitor jobs and we could use a model that preserves the existing jobs so we don't have people walking out City

Hall door because we have not been able to find the money. But it does require that people put real dollars on the table. So it is with sadness that I made this motion. And I will support this motion and look forward to continuing conversations and hopefully a different outcome with additional conversation in August.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Mayor, I just had a couple of questions. To whatever extent you can describe or anybody on your team can describe the status of negotiation with MEF, I know there are limitations of what you can say publicly but if there are even meetings, if the negotiations are ongoing.

>> Sure, Tina Donnelly, employee relations. We are currently in discussions as the mayor said with five different bargaining units. We have had some communication with MEF CEO AFSCME this week, we're currently awaiting a list of their availability, so hopefully we will get some dates for sometime next week.

>> Councilmember Liccardo: Okay, great, thank you, Gina, it is helpful to know. Obviously, that's our path, it seems to me, too, being able to save these and any other jobs, as the mayor mentioned between four and 500 layoffs obviously hurts many, many families. I guess the question that naturally raises -- that the concerns raised in my mind, we all see many of the custodians every day in our work. And many of us, I personally developed friendly relationships with several of them and it's very difficult, it's very difficult when you know that decisions that we made last week, and I think really that was the decision, was last week, if not this one, that will have incredibly detrimental impacts on them and their families. What I also know, though, is that if we decide that one group of employees is saved, then there is another group, that inevitably must suffer. There is a budget, and that means we're operating in a world with limited resources. The next question naturally that comes up is, which employees do we fire if we keep this group? I had raised, I think, several folks had raised the question about custodians as being so vulnerable. And I know Ed Shikada and I had had some conversation about other positions in the city. And my recollection, Ed, if we decide, instead of the action which was approved last week, with regard to custodians, we were for instance to close libraries a certain number of days, or community centers, library

assistance and recreation leaders, as I recall, you showed me the range of pay which I believe was in fact less than custodians. Is that right?

>> Ed Shikada: Council, unfortunately Ed Shikada assistant City Manager. I don't have the pay scale in front of me but I believe that is correct.

>> Councilmember Liccardo: Okay. So the point in all this is not pick and choose or to claim that -- the point is to show the extraordinary difficulty in these decisions, that in essentially deciding that one group of employees is not going to suffer, we have to face the inevitable reality that another group will. And that other group may not be as we perceive. In other words, there are other groups of employees who are similarly paid, or in some cases, less well paid, than the group that so many folks have spoken about today. And so I think nobody on this days makes the decision easily. And as I say my understanding of this decision really was made this last week. But I think it's important for all of us to approach this conversation soberly and respectfully with regard to the reality that's out there. The problem is not that there is an evil miser in City Hall that is working these horrible decisions through to their end result. The reality is we are in extremely difficult times, facing very difficult budgets with very difficult decisions and as a result people suffer. Those are decisions we have to make whether we like it or not. For that reason I'll support the motion.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. The empathy of the Vice Mayor and Councilmember Liccardo, I have the same, and I'm sure all of us do, as Mr. Wall said from the audience, no one wants to make the decisions at the end of the day, but they have to be made. In this same pot of money, which as Councilmember Liccardo brought up, that employs our janitor, also pays for those general fund services, the librarian, the rec leader. So the reality is, there is a limited amount of money, and to your point, Councilmember Liccardo, I do have that information. A rec leader makes \$38,000 a year, which is less than a janitor. A library clerk makes \$50,000, which is less than a senior custodian. So in the end, it is all a matter of choices. My choices, faced with having to make a choice, is providing the services that most directly impact San José residents. And at the end of the day, a youth

or an adult looking for a job, having the ability to go to the library is a higher value-add for our residents. A youth being able to be able to go to the community center and stay out of the gangs is a higher value-add. Should the economy, should revenues come back, then it is something to come back. But I can't be everything to everybody and I'm supporting the budget.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I have to say that I heard on the radio this morning that Sacramento legislators have all gone on vacation. From my perspective they haven't done their job. It is going to be very difficult for you to even get in touch with them now but you do need to keep in touch, beginning in August when they'll come back. Those are the people right now that you need to be communicating with. In with whatever way possible. We've already lost \$62 million from the City of San José. We cannot afford to lose any more and that does play a part and parcel as to the reasons why we are in the particular predicament that we are. So I urge you to make contact with our local representatives as well.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor first of all, thank you for coming out and speaking to us. The vote last week was to approve the budget and this week's vote is kind of a second reading to approve the budget. I cast a yea vote last week. But after I heard the testimony I'm having a difficulty to support this motion on the floor. To me it's not really a matter of a janitor versus the rec leaders or the library people. I felt that the city haven't done a thorough analysis of which group that we can contract it out, that yield the best return for the city. I can name the I.T., have we done the analysis of contracting out the I.T.? I understand the county contracted out the whole housing department, and probably yield much more savings than just, you know, cross out the janitors. I guess I feel I stated before, maybe in the closed session, we picked the janitors because they are easy prey. So the reason I will not be able to support a motion is I feel that we haven't done enough of homework to really analyzing which group contracting -- whether or not we can contract out that yield the best return for the city, you know. I mentioned I.T., and nothing personal against the I.T. The housing, I probably can even think of

contracting out the accounting department or the property management. You know, in the City of San José or the airport. So I will not be supporting the motion.

>> Mayor Reed: Councilmember Kalra. [applause]

>> Councilmember Kalra: Thank you, mayor. I have a couple different issue areas, one that I've raised previously is the issue of public safety that this budget does not adequately protect the public safety that we do have an opportunity to use reserves and attrition, especially knowing the number of retirees in the police department that will be coming forth in January to save critical patrol positions as well as potentially save some of the fire engines. I really hesitate to go forward, and again, it's -- these are all choices that we're make. They're policy choices. They're not choices that we are forced to being -- that we're forced to make. We're choosing to replenish reserves, to prevent potential layoffs in the future, rather than laying off people right now, or saving the jobs now. It just doesn't -- it doesn't make sense to me. I know that there's certainly a need as all families in our city have become more fiscally conservative because of need, there's certainly need to do that. But again these are choices. As it comes to the janitors, I don't believe it's a question of choosing one over another position. I do believe we must be an example for others to follow and I don't think we've been a good example through this whole process of how we've come to put this whole budget together. I think we've been a poor example. A poor example to the whole community, poor example to our children, a poor example to how we come to agreements in a manner which is respectful of all involved. We do have a choice in all of the actions that we make here. And I know that there are different opportunities for us to consider how to use the funds we have, and part of that certainly is to play it more conservatively and replenish reserves. But do I not feel comfortable doing that at the expense of critical police and fire positions, I do not feel comfortable doing that at the expense of our janitors and other employees in services we provide to the community. And I do feel that a competition policy, the majority of this council just approved relatively recently is just being brushed a side because we have a difficult decision to make. I don't think that's appropriate. I think we created a policy and in order to save money we're setting it aside and all the work that was done that we brought a number of stakeholders in to do the work. And that our city staff did a tremendous amount of work on, we're setting it aside. I don't think it's worth it, I don't think the heartache that we're causing is worth it. I think we're choosing a route that may be more protective of our bottom line, rather than

more protective of our workers and more protective really of the services that we provide out in the community, particularly our public safety services. And we -- we can decide to go forward, and just go do you this road, and I think it will be a very difficult road to repair and to heal the friction that we caused in this community, or we can choose to take a breath and find ways to bring people together. And I know that oftentimes we celebrate our city, we celebrate our history, we celebrate our community. The next time we're celebrating and honoring Cesar Chavez or others in the community that have been a great example to all of us, let's remember what we're doing here today and let's remember what we're doing to our janitors.

>> Mayor Reed: Councilmember Campos. [applause]

>> Councilmember Campos: First of all thank you for coming out and sharing your stories and your concerns. I think that it did make an impact because my colleague, Kansen Chu did hear you. And has expressed that he will not be supporting the motion. No matter how you spin this vote, the bottom line is that with this vote, you're laying off custodians. No matter how you spin this vote the bottom line is that you're not including the competition policy. No matter how you spin this vote, the bottom line is that we're going to be laying off people and reducing the quality of life and the services for the residents of the City of San José. That's the bottom line. And we do have choices. And my choice is that we circulate have done a better job from the beginning and circulate have been completely open and fair to the community as we asked them to be a part of solving this budget process. And this budget deficit. I won't be supporting this motion. I took a no last week and I'm taking a no this time. [applause]

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Could this process be improved? Yeah, it could be and should be for next year and I think that's one of the good things that happened last week is that was actually voted on to start negotiations earlier, to get people at the table earlier. Because given enough time I think better resolutions can happen. But unfortunately in the city we are stuck with a time frame that we have to work within. And that's July 1st. And unlike the federal government, that somebody brought up in terms of how they spend money, they can print money. They cannot have a balanced budget. The state can take money as it's done on a regular basis

from us. But the City of San José cannot print money. It has to balance its budget. And we have known from the beginning of these discussions back when we had our first meeting when some of us gasped when we heard the rising deficit that we were being faced with how were we going to solve it? I remember that first meeting I was in agreement with Councilmember Constant on maybe we should declare a financial emergency. Looking at these numbers. Not just the \$116 million General Fund deficit that we're facing this year. Not just the fact that this has been going on for nine years. Not just the fact there's another \$2 million in the other funds that we have a deficit. But the over \$2 billion of unfunded liability that we face as an iceberg looming before us on the titanic. I'm very concerned and one of the reasons we didn't approach it in a more critical basis in terms of saying that we have a financial emergency is because we were concerned about how the financial community would view us. Would we jeopardize our credit rating? Would we be less likely to get the good interest rates that we've been able to enjoy? I've had conversations with people who have talked to me about a credit rating being a luxury. A triple A credit rating, I assure you, is not a luxury in this recession climate. There are cities now that are dealing with lesser tier banks than we do. We deal with tier 1 banks because we maintain this triple A credit rating, and we've maintained this triple A credit rating because we do the financially responsible things in the city finance department. But there are other cities who have not been able to do that, and so they are dealing with tier 2, tier 3, not such great banks. Some those banks unfortunately played in the market along with other companies, buying CDOs and all those kinds of other financial instruments we've heard about. And when they go down, if a city's dealing with them, the city's going to go down, too. So a triple A credit rating is something I personally think we have to maintain. And so we have to really be very conservative. And I don't mean conservative in the politically way that we talk about it. I mean conservative fiscally with the decisions we make in this budget in order to make sure that we do the right thing for our employees, for the city, for our residents, for all of us to make sure we do those responsible things. And so that is partially the lens that I have been looking at as I sit and look at these numbers. And I have looked at these numbers in great deal. I have looked at the CAFR from last year, I have looked at the budget, I've looked at the funds. I don't agree with using all of our funds to solve a problem for this year, hoping that this economic situation is going to improve dramatically in the next few months. Everything that I'm looking at and make no mistake I have no crystal ball, just like the economists don't either. We all have to make decisions based on the information we're looking at. I certainly don't think it's a slam dunk for this economy to dramatically improve in the next few months. I'm very concerned about what we're seeing with the stock

market, with the impacts of China, with the impacts of European currencies, those are real. And we need to be somewhat cautious, I think, in trying to project some exuberant recovery we are going to see in the next few months. That is partially why I've been looking at that through this lens and supporting the decisions and the suggestions that have been coming from the City Manager and our budget office in terms of needing to really make sure we're doing the right things and that included asking for give backs from our employees. As I sit on this council being here a year and a half I wasn't here nine, ten years ago when a lot of the decisions were made that we're having to deal with now. That set aside we're decision makers. We have to make those decisions, we are called upon to make those decisions and they are not fun decisions. I take no pleasure in the vote, in voting, and I will be supporting this. I supported it last week, and I will be consistent in that. Take no pleasure in seeing layoffs. When I had my own company I had to lay people off, and it was not fun. It's a horrible decision. But what you have to do when you make these decisions, is what's the good for the many? What's the good for the many? What's the good for the city? And how can we position ourselves so we can be ready to attract economic development because we need private sector people to come in here and start creating jobs. This city is not going to create all the jobs. We need companies to come here, we need jobs to happen, and that is going to be good for everybody. Those are all the ways I'm thinking about it. And I feel incredibly bad that one person is going to lose their job in the city. I feel horrible about that. And so this is not a decision I take lightly but it is a decision I will be making. And I do hope as our Vice Mayor eloquently expressed that we will continue working with the employee groups that are still out there remaining to have agreements done that we can come to some agreements like has already been done with the six unions that gave concessions and the fact that they saved 107 jobs and community service they are to be applauded because they did not even get the benefits of those concessions, other groups got them. And I think that was a sacrifice and something or the applauded. So I know it's not a happy day, it's not a happy decision but I think it's the right one. Thank you.

>> Mayor Reed: Councilmember Constant, I don't have a light to indicate whether or not you want to speak so I have to do it verbally. Are you still there and do you wish to speak?

>> Councilmember Constant: Yes, Mr. Mayor, if I could make just a brief comment because I want to be respectful of time because I'm on international minutes but don't worry, the city is not paying for this call. I just

want to support everybody who was supporting the Mayor's Budget Message throughout this process. I know it's a difficult vote, and I hope those who have expressed that they cannot vote for this motion have a change of heart, because this is really what we need to do to protect the services to our residents and to protect the future of San José, so I will be supporting the motion. Thank you, Mr. Mayor.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I just feel bad that I didn't give the direction to the management to do the analysis of all different functions, you know, like the I.T., the housing, the property management. I don't know if this is the appropriate time for us to give the management the direction to do the analysis by groups, by functions, that then we can pick and choose of which group that we should contracting out, again instead of just picking on the easy one.

>> Mayor Reed: This is not the time to do that. This is appropriations. If we don't pass the appropriation, nobody has money to spend come July 1st. So this is appropriations. But there is a time in the budget process when we do that kind of analysis, and we certainly can consider that. In fact there were others that were considered during this year that did not make it into the recommendations or the message. But as we begin the process to set up the budget process for next year those are the things we can talk about the timing of that and the scope of that analysis. All right, that concludes the council discussion. Because we have a member of the council participating by telephone, we will do a roll call vote on this. We have a motion to approve the recommendations of all three matters under 3.3. City Clerk.

>> Lee Price: Thank you mayor members of the council I'm going to call the roll in district order. Councilmember Constant.

>> Councilmember Constant: My vote is aye.

>> Lee Price: Councilmember Kalra. Councilmember Liccardo. Councilmember Chu. Councilmember Campos. Councilmember Oliverio.

>> Councilmember Oliverio: Aye.

>> Lee Price: Councilmember Nguyen.

>> Councilmember Nguyen: Aye.

>> Lee Price: Councilmember Herrera.

>> Councilmember Herrera: Aye.

>> Lee Price: Councilmember Pyle.

>> Councilmember Pyle: Aye.

>> Lee Price: Vice Mayor Chirco.

>> Councilmember Chirco: Aye.

>> Lee Price: And Mayor Reed.

>> Mayor Reed: Yes.

>> Lee Price: The motion passes, 8 to 3.

>> Mayor Reed: Okay, that concludes our work here. That does not conclude Jennifer's work, she has many, many hours to get this in place, so our people can be at work on Monday when they show up with the stools to do that. I want to thank the staff for all the work they've done to do that, it's been hours and hours and hours, many of them are here but many of them are still work. We appreciate the fact that they had to work nights and weekends to get this done in a timely manner. That concludes our meeting. I have no other cards under open forum. We are adjourned. Don't come back until August, folks.