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>> Mayor Reed: Let's try to get this council study session going. We have almost everybody here from the council. I don't know how many senior staff are supposed to be here but I'm saying they're all here. Welcome everybody to the -- I can't say it's the first anymore, what used to be our first budget study session. We've been at it a while already just because the budget never stops. But this is a council -- city council senior staff study session, to begin the process of getting us to the March budget message and ultimately to the adoption of a budget message. There are several things we want to do this morning. Bring everybody up to speed as to where we are since we last gave some direction to the staff. What the situation is coming into this budget cycle, and talk about some of the alternatives that are left to us, and things that we might be able to do, and give staff some additional direction on some issues. So I'm not sure what the next slide is. (inaudible).

>> Mayor Reed: Okay, so after Deb and I have some opening remarks we'll get into the program prioritization discussion. So I just want to set the background that we start with and that is the projection that you've all seen of a substantial shortfall for next year. \$100 million plus or minus \$10 million is the ballpark which of course is a lot of money. We've also eliminated 800 positions from our total employee count, since the peak in about 2001 where we had 7400, we're down to 6600 positions now. We've been able to mostly shrink by attrition. We certainly had some layoffs last year. One of the things we did last year was we funded 78 positions with one time funding and so there's a list over there. You may recall some of the things that we funded with one-time. So there's 78 jobs there that are not in the base budget, not included in that \$100 million shortfall, because we were assuming that those would be eliminated already, because we funded them with one-time. Our average cost per employee has gone up 64% since 2000. And revenues have gone up by 18%. Actually they went up a little more than that then they shrunk. So we're at 18% currently over 2000. Interestingly enough sales tax are down \$44 million since the peak which was about 2001. Property taxes are down \$11 million since the peak which I think was last year or the year before, more recently peaked. And another little-known but very interesting fact since 1990-91 the state's taken \$500 million from us. State takes, the state gives, the state takes, the state gives. Sometimes they give but they always take more than they give. \$45 million and it's running at a tab of \$45 million a year. Ongoing take aways. Of course, the state legislature will be back in session trying to close their budget gap and there maybe additional take aways that we have to worry about. Certainly, the governor's already proposed a modification on transportation taxes, and HUDA is back in play, and redevelopment is always on the block, and we're litigating redevelopment. We're not always aware of what the state is going to do but it's not always good. One thing to remember last year we asked our employees to help. They made some concessions, one time funding but it was very important because we saved some jobs with it. And we appreciate that. Even though we're asking them again because we're still in trouble this year. But we do appreciate the fact that we saved a lot of jobs last year. And I want to thank the employees for doing that. And with that wonderful uplifting introduction, I want to turn it over to City Manager tell us how we're going to solve all these problems. Deb.

>> City Manager Figone: I will lift you up even more by giving you more bad news. Good morning everyone. First of all, I would like to thank all of you for being here and really recognize the -- all of the work that's gone on since the council gave us our one-third-one-third direction last time we met on November 5th. As the mayor alluded to, we're in perpetual budget mode, and it is no small feat for the senior staff to stay focused on not only what they have to do day in and day out, but to continue to work with us to resolve these issues. Our labor partners, lots of engagement going on, and many, conversations, and then certainly all of our employees who just continue to do a great job for the city, but knowing that there's a lot of uncertainties out there. They continue to come to work, and do their best for the City of San José. So I can't thank them all for that commitment. Needless to say this challenge is large. We're getting a little tired of using the same words, challenges and difficult conversations and daunting task force but that's the truth. That's what we have out in front of us and that's what we need to confront and today is to help us to continue to be grounded in that reality. So that we can do what we need to do in terms of bringing together the right voices and the right solutions. But really, a package of solutions that I can present to you when I bring to you a proposed budget on May 3rd. You know, as the media starts to talk about economic recovery I think we all have a spark of hope. And really want that economic recovery to happen. But that said, we are facing our ninth year of a structural problem. San José's problem is structural. Our revenues just cannot keep paces with the expenses as we know it. Clearly the 2008 recession has exacerbated this problem but it isn't exclusively about the 2008 downturn. And I think we just need to deal with this once and for all. The real, I think, major challenge before us is what does this government need to be structured like, in order to stay within the revenues that at least we have in our control now, and in the foreseeable future? And I really do think that we are kind of in a fundamental rebalancing of our service delivery systems, not only our finances. So our conversations over the next few months, as we bring this budget process to a close, you can expect, will continue to be

difficult. Will have to confront a very challenging decision, you know, we have to have a balanced budget so it's going to happen one way or another. And we must identify a package of solutions to deal with this extraordinary record-making shortfall. So today is about doing a check-in on where we're at. And as you can see, it is going to be interactive. So we don't want to just talk at you all day. But I do think we're at a moment in time where it's important to take some stock in all of the efforts that have been underway, that are now converging at this moment in time, to really inform the decisions that need to be made. So we'll give you an update on the program prioritization process. We won't spend a whole lot of time on that but that has been a very significant effort over the last few months and will be pretty important, in my view, in terms of being another data set to -- that will draw upon to inform the very difficult recommendations that we'll need to bring to you. And then you'll see, we have a series of conversations which are labeled update on our budget planning process. So a key goal here is to do a check in on where we're at with the one-third one-third one-third direction that you gave us last November. We'll also, in addition to spending quite a bit of our time on that check-in and (inaudible) founded in those realities, we will want to spend some time. Jennifer is going to spend some time with you presenting where she's at and how she's viewing the challenge in closing the gap over the next six weeks. And how she looks at this budget process. I think that will be very important for you to hear from your budget director. And then clearly, closing with where we've been, with stakeholder communication and what you can continue to expect as we move forward. So that's kind of the snapshot of the morning. And with that unless there are any questions on the agenda I think I'll turn it over to Kim. Thank you.

>> Kim Walesh: I'm Kim Walesh and I'm going to play a role helping to guide us through the meeting this morning. It's great to see everybody here. As Deb mentioned the next thing we're going to do is give an update on the pilot program prioritization effort which you remember we talked about briefly when we last met together on the budget on November 5th. So for that, assistant budget director Walter Rossmann is going to give just a very brief update of where we've been with that. You have the results of that in your materials for the day. I'm then going to say a few words about how the neighborhood leaders priority setting session connected to this material. Deb is going to say a few words how she is likely to use this information in thinking about a proposed budget and how she's approaching the value of this information and then we'll have an open ended session from you to get some reactions or concerns or ideas you have if the information. With that Walter.

>> Walter Rossmann: Good morning. What we'd like to do in the next few minutes is just tell you in an overview setting how the program prioritization panned out and what we have done in the last few months. As you know, it started out in July, when senior staff thought about looking at programmatic information, not just looking at CSAs, departments, but actually at a very low level, and we found out we did have about 550 programs citywide. Why did we do this? First of all, there was an interest from the council to look at program information, and also we're faced with limited resources given the \$100 million gap which we are facing this year. Next slide please. Thank you. The objectives of the program was really to provide information, what the range of specific programs, talking about 550 which we compiled there's actually a program dictionary which we published in January. You have it with you in your offices, which gives detailed information about each program, the full time equivalents, a description of the program, cost recovery information, et cetera. It's also on the city's website. To better understand these programs in relationship to the city's priorities, given the last few years of budget information, we figured there were certain priorities which the council and the community have such as safe city, prosperous economy, green sustainable city, vibrant and attractive neighborhoods, and reliability and well maintained infrastructure, to try to figure out how does this program relate to those five priorities and assist us in making the choices of the programs which we have, given the limited resources which we are facing today and tomorrow. And lastly, provide input opportunity for stakeholders to be involved, and be part of the discussion, regarding the service delivery which the city has. There were seven steps overall in this program prioritization. We are in the last steps today. It was a tremendous effort for staff to get to where we are today. It started out with identifying the city programs, determine the priority results, the five points I listed just before. Since the department going in and looking at their programs in relationship of these five priority results and four basic attributes. It was very important to us because they also were a different dimension of showing what those programs are and how they delivered services to our community. The four basic attributes are, is the program mandated, do we have to rely on the city to provide the service, is the service delivery demand going up, or is it down, or staying the same? And lastly, which escapes me right now what it is. I'll get back to that one. Cost recovery, thank you. Cost recovery. I'm glad Jennifer is around. So cost recovery and that means 100% cost recovery? Is it zero percent or somewhere in between? Then we have the organizational wide review, we asked the teams to evaluate those scores, a prioritization group of seven people, from front line middle managers

executive staff and senior staffs as well as representatives from the labor community the business community and the neighborhood groups. Then we asked three different ways if you have a chance today of taking \$100 across those five priority results how would you invest those? And we'll share those results with you on the next slide. Lastly we developed a ranking and you have this in your package today. It shows you about four priority levels which we'll explain in a second how they came about. A ranking for each program which combined the review team score with the five priority results, then the basic attributes and you get the score at the end. If you were to add those up today you're not going to get the number just adding across. There's math behind, thinking behind it in order to establish weights, so that's what the numbers don't just add up across in your package. And then we lastly engage in discuss and resolve what this means to us, what it means to the community and to the city council. Here's the result of this, I talked about three different ways to help establish the investment levels. We asked through the survey initially December, as part of the budget priority survey, community survey we asked another way of ranking it and Kim will talk about at the neighborhoods priority setting session January 23rd, we also asked information on how would anybody invest \$100 today towards the five priority results. And as you can see here, safety is at 25.4%, coming down to vibrant and attractive neighborhood was 15.3%. And the last slide is, what does the priority setting session pilot program ranking which we have to mean, and what does it not mean? It's to evaluate the relative impact of city programs in achieving the five priority results. We want to get an idea not just looking straight up in styles, but across the new matrix relationship, how does any particular program like field patrol contribute to a green sustainable city, how does it relate to and achieve the results of a prosperous economy, et cetera. We wanted to make informed choices among the current programs which we have today. What it doesn't do is it does not guarantee that the lower priority program priority level 4 will be eliminated. It does not guarantee that the priority level 1 program is provided right now the most efficient way and it does not mean that the higher priority program does not -- may not face any kind of reductions or eliminations. The last piece is the priority levels because talk about the four and that's what's in your handout, all the programs which you have city programs and airport, environmental services, police department, fire department, all are departments which provide a direct service to our community and they were ranked by priority level 1 which means how did those programs are the strongest contributors towards the five public priority results and then going down to priority level 4, the least influential contributors towards achieving those results. With that I'm closing my presentation. I'm going to ask Kim to talk about the neighborhoods meeting.

>> Kim Walesh: Thank you, Walter. I just wanted to emphasize as much as possible with the time we had we tried to make this not just a technical exercise that staff did. In the short time we had, we involved on the review teams representatives from labor, from the business community and from our neighborhoods commission and when we had this session on January 23rd, with the neighborhoods commission, neighborhood association leaders and the youth commissioner, we really made the focus of that session this priority setting process. And I know many of you were able to stop by. I want to emphasize we had over 80 neighborhood leaders and a handful of youth leaders in attendance, which was terrific. We did do the exercise where we gave them \$100 worth of nickels and had them rate how they would invest across those five priority results in the next budget year. And the one difference with the overall results that Walter shared, that the neighborhood leaders, not surprisingly, ranked vibrant, attractive community, a little bit above the green, sustainable city because that includes things like you know, libraries and parks and neighborhood centers. We then had small group discussions which were actually led by the neighborhoods commissioners themselves which I think was just a really terrific way of structuring it. They all had preliminary results for the General Funded programs so they had the opportunity to start reacting to some of the results and then as they were leaving they did a written survey to provide input are within each of those five major priority results, again, where would they prioritize specific elements of those for this coming budget year. So up here are kind of a few key points overall. Our key take aways, again you have a written summary and all the comments from the meeting in your material. I would say that on balance the neighborhood leaders were very, very appreciative of having this kind of detailed information. It helped them understand the different things that the city does. It certainly raised questions about interdependencies, potential duplication, raised some concerns about where individual programs were. But on balance, they appreciated how transparent this process was and how it put more information at their fingertips and allowed us all to have a different kind of actually more meaningful conversation about the choices that we need to make. So we're happy to answer any questions on that, but again, you have all the materials there I know many of you -- thank you -- stopped by on that Saturday. Can I just have Deb make her comments, and we'll take all questions.

>> City Manager Figone: Thank you, Kim. Just very, very briefly. I've asked myself since we initiated this process, would it really be of value, kind of reserved the right to pull the plug, at any point in time, just knowing

everything else that was on in the organization. And I've been consistently pleasantly surprised at the positive reaction. I think the department has a strong enough group they would have raised their hands, although they're great soldiers but that at each stage when we've asked ourselves is this adding value, can we see this being helpful, each time it was yes. And so clearly, it's the first year, it's somewhat of an experiment. But for me, the take aways have been a few, if you put the slide back up showing the public priority results, I've been -- I was really surprised at seeing the balance of the five areas. And that, to me, I think is very good information for us as we go forward and look at this daunting task and try to bring you a balanced budget that does reflect the values and what's important to the community. So I thought this was very telling, in terms of how I will use the information. It is another set of inputs. I think it will be very useful to compare what the department heads submit in terms of their proposals and their recommendations for balancing the budget against what we have seen and heard through this information. Now, that said, there's no single silver bullet. There's no single right answer. I was looking at the information again this morning and just asking myself, was there enough information here for people to really rank and rate and do they understand the programs like the staff do? And so in some cases the answer will be no. We're going to have to apply our judgment. But I do think it will be very good for us even if something is ranking relatively high to ask ourselves some key questions like, is this as efficient as it could be, do we have to be the ones to deliver this service? Is there another way to do it? So again I will find it very, very helpful to again calibrate what we're going to be getting from the departments and tested against what we're hearing from the community.

>> Kim Walesh: Thank you. We have the discussion question up here. We'd like to ask, in the time we have available, keep the questions at kind of the higher level, general reactions and feedback for us. If you have any concerns or questions about specific questions and where they rank, we'd prefer you direct those to the City Manager, the budget director in a different setting.

>> Councilmember Oliverio: Just for next year I think when people are spending their \$100 it would be good to have the actual definition of what a prosperous economy is. Because if people knew what our definition was, which we did not share at the neighborhood meeting or on the telephone survey, I don't think you'd have the same number. So it's -- people are voting for a vague 10,000 foot level topic but not getting down to the specifics. So I would say put the definition with their choice, which we didn't do.

>> Kim Walesh: At the presentation for the neighborhood leaders, Walter went through and read the different elements of the working definition we have. But you're right, they didn't have it right in front of them when they were going up to vote and that's a definitely improvement.

>> Councilmember Herrera: Thank you, Kim. I attended the meeting with the neighborhood commission led group, and it was really impressive to see how they worked together. So I commend the staff on putting that together, I think it was valuable. One of the comments that they made concerned that they can't easily see the connections and interdependencies. So if there's some way I think it was great because it separated them out and provoked a lot of questions but if there is some way we can see how they are not siloed and how they relate to each other, I think that would help the discussion.

>> Councilmember Chu: Thank you, Kim. I think this is a really wonderful job. I'm looking at this evaluation criteria. And on the comment on the basic program attribute, I think it's probably more of a question, is it possible to add the call spent, the social benefit or the return on investment as one of the program attributes? And then on the priority result, it's not weighted, you know, like the safe cities, we have the most important one, we have for. But if you look at this chart here, safe cities, actually is 25.4% of out of the 100%. So it's not a leaner number but it's -- comments that the priority result are not weighted. And I think it should be weighted. Because if we don't -- if we don't have a safe street city, it would be very difficult to maintain the prosperous economy.

>> Kim Walesh: Yes, councilmember. In the final ranking for each of the programs, definitely included those weights up there. So programs that ranked higher or affected safe city were given a little more emphasis in their final ranking than in this case of program, that might have related to green, sustainable city. On your first comment, though, clearly the people that participated in the review teams and we, as staff, have lots of ideas. If this information is valuable, where we might go next year, including looking at effectiveness and performance indicators and cost in relationship to effectiveness. So that's a very good idea.

>> Councilmember Liccardo: Thank you, Kim. I just wanted to thank you and Walter and everybody who spent so much time. I know it's an extraordinary amount of effort to produce this produce. So I'm very grateful to it. I think there's a challenge any time we try to quantify what is very difficult to quantify in terms of the value of a particular program, particularly if we're not intimately familiar with every stakeholder in that particular program, which is really a Herculean task to be that aware of all the impacts. The question I had was related to the basic program attributes. I assume that those scores were weighted equally when you come up with the program score, is that right?

>> Kim Walesh: Yes, the program attributes were weighted equally, and collectively, those attributes mattered much less than the rating according to the priority results.

>> Councilmember Liccardo: Okay, that's helpful to know. Certainly again, I'm sure everyone would have a different view about which basic program attributes should be weighted more or less heavily, and so it makes it challenging when we do the aggregation. But certainly helpful at least to see this broken out.

>> Councilmember Constant: Thank you. I'm happy that we're getting to this point because when I first came into office one of the first things I asked for was if we had something like this. So it's great to see we're moving in that direction. What did surprise me though is it doesn't seem that we found things that don't fit into any of these categories. In other words, programs -- I didn't see any programs that were identified as not being related to one of these five. And I'm wondering if that is something we actually specifically looked for when we did this.

>> Kim Walesh: I think all programs in all departments were given the opportunity to make the case that they had some connection to any or all of those results. You know, and in many programs, there was probably a zero for a lot of the results but I imagine every single program did feel like they were making a difference, that those five priorities which have been pretty long standing priorities of the city.

>> Councilmember Constant: Okay, well I just think as we go forward we need to almost reverse that thought process instead of making the case for how they might reach these areas, is making the case for why we maybe should be out of the business of.

>> Councilmember Kalra: Thank you. And you know just following up Kansen and he had mentioned something about the social value of some of these programs but the categories that already exist, it's challenging enough to try to rank them as to their value when they each have their own inherent value. But one area that may -- we may want to consider at least with little more specificity is leveraging that's done. Because many of the programs we have, whether it's working with other governmental agencies or funding from other governmental agencies or CBOs provide much more dollar for dollar, much more in services to our residents and to our community. Whether it be to the housing department, whether it be through funding to nonprofits, and I think that's something that's really important to know. It's important to know how much bang we're getting for our buck in services to common residents. To me that's something that's one factor that would be nice to know. Especially if the funding is withdrawn, if it puts that program in jeopardy.

>> Kim Walesh: These are all great comments. I think we felt like this was a worthwhile evaluation this year, there's room for continued improvement if we want to move forward. Thank you very much. I think we'll move on now to the next portion of our program which I think we're going to start with Mayor Reed. We're going to be using this screen up here and we're going to just chat briefly about the balanced approach which was our goal. And we're going to take each one of the three elements here and give an update on where we are at this point in the process. And come up with a range of where we think we might be, by the time the manager needs to produce her budget.

>> Mayor Reed: Thank you, Kim. Back November 5th you'll remember way, way way back in November 5th, we already started thinking about this year's shortfall because of the size of it. We had a special meeting, and the council decided one-third one-third one-third, a third from new revenue, a third with employee concessions, that was the 5% decrease in average cost per employee gets you roughly one-third, and then the other one was a combination of alternative service delivery model changes, efficiencies and operations and one time revenues. So those are the three buckets that we hope to use to cover the \$100 million gap. So what we're going to do now is try to go through the explanation of the numbers, first Jennifer's going to explain why this is 90 million and not 100

million, and where we're on each of the categories, some of the alternatives that we have, we'll go through new revenues, as well as as the others, so that everybody is up to speed with where we are. So with that I think I'm going to turn it over to Jennifer. Who's going to begin to build this spreadsheet kind of a thing.

>> Jennifer Maguire: I'm going to do the low-tech way, showing you how I'm going to explain in to the City Manager, this ought to be a value for you all to see how, as my hat what I'm look at here, basically, at this point in the process for what we have to bring forward, on May 3rd in our proposed operating budget we can't assume any large new revenue sources because they would take a vote of the people either through June or November election. So we're starting here with the \$100 million number as Mayor Reed started out today, which, again I just need to caveat this number. We're in the middle of updating our five-year forecast that will be released to you all at the end of this month. That number will change, we're going back and looking at every revenue source in the General Fund as well as all our expenditures and rebuilding. We'll see all that and I don't expect it to be lower. So I think this is a safe assumption for right now for discussion purposes today. Again the \$100 million shortfall number does assume the list that Mayor Reed referenced earlier, that all of these items, \$7.5 million, 78 positions, are eliminated July 1. They were funded with one-time sources when the 2009-2010 budget was put together this fiscal year. Through our normal course of business, and our normal analysis, I believe it's safe to assume that we will bring forward at least \$10 million in solutions from new fees, increased fees, using a small number of reserves and looking at transfers to and from different other funds which are -- it's hard to find nowadays because all of our funds are having some difficulties. For planning purposes I feel this is a safe assumption to make which is why we're starting off with the \$90 million shortfall number as our starting point for the discussion purposes today. As I explained to the City Manager I see the \$90 million going on two tracks before we put together the May 3rd budget. One track would bring us to be able to reduce the \$90 million by \$30 million if we are able to achieve employee compensation reductions with all of our employees. We need to know that by April 1st, in order to produce this document, in time and be able to rebalance the document. That would leave us with the \$60 million shortfall. The obvious second scenario is we don't have those employee compensations in hand. And we can't count on them. And that leaves us back at the \$90 million shortfall. Kind of hard to see, but let me see if I can, Walter, if you can help me for a second. What's -- okay. Over on this sheet over here, this is a listing of about, what, \$20 million worth of service reductions and eliminations looks like. This list over here contains reductions that were either contained in the manager's proposed budget last year or were part of our tier 2 budget proposals that we put as alternative budget proposals or if we needed them for state budget balancing purposes. Those service reductions were never implemented last year either because we didn't need to go to tier 2, but more importantly, a lot of those services were restored through a slight increase in our property tax revenue estimates that we found out at the end of May, beginning of June, or because of the true rage of free savings that we were able to count on. If you look at that selected list, that amounts to about \$20 million, and this is what's very concerning. I would need three times that number to get to the \$60 million number as far as service reductions and eliminations or four and a half times that number if we don't get the employee compensation reductions. So I was putting that in context for the City Manager because it is very concerting. Those are very extremely difficult Service reductions and elimination. How it's looking now in our proposed budget if I look into our system we gave the nonpublic safety departments a 35% target, as you're aware of, we sent that information as an FYI to the city council. We gave the public safety a 7.5% target. What I have in our system right now, with not doing all the analysis that needs to happen, we have a General Fund position reduction totaling about 550 positions right now, that's about 12% of our total. That number is only going to grow when you start adding in the position reductions that we're going to need to do on our airport department, convention center, our capital-funded positions as we wind down our capital decade of investment, our community development block grant, we don't have apointees included, and any redevelopment agency reimbursed positions that flow through the General Fund. So those numbers are very daunting. I know I'm probably the person you really don't want to hear me talk about this today, but this is the facts of how we're looking at bringing forward a proposed budget for you. But want to give you that context and that setup before we start the next part of the segment.

>> Kim Walesh: Are there any questions on the material that Jennifer just presented?

>> Councilmember Oliverio: On the General Fund 550 positions, what percentage filled are those?

>> Jennifer Maguire: I don't have that information. I just took them right out of our information. But I would imagine most of those are filled. We have citywide, all funds, we have about 200 vacancies, it's about, oh, I'd say

about 170 in the General Fund, if you take out the fee positions and you take out sworn we're looking at a little over 100 vacant positions in the city. This does include sworn positions however.

>> Councilmember Oliverio: And then budget director on Tuesday we're considering voting on redevelopment agency budget. Which borrows from reserves. Approximately \$10 million.

>> Jennifer Maguire: It borrows from three different funds.

>> Councilmember Oliverio: And we would normally use those reserves to pay for General Fund services, I mean, if we needed to make it fit.

>> Jennifer Maguire: Actually I would say that we would try to avoid that. I mean, we have not really borrowed our way out of the General Fund ever. Those funds that are considered for the redevelopment agency were funds we were looking at to do a temporary borrowing if the state had hit us with the proposition 1A property tax take. But those are reserves -- I mean, those are reserves or fund balances in those other three funds, the park trust fund, the connection fee fund, and the ice center fund. So those funds --

>> Councilmember Oliverio: But the action on Tuesday allows you fewer options in balancing the General Fund budget.

>> Jennifer Maguire: It does but it does -- it absolutely does.

>> Councilmember Oliverio: Okay and then final question is if one wants to retain every employee and we're looking at the numbers you're putting in front of us and we -- back in November 5th said 5% but in reality of are we actually going to get alternative service delivery models worth \$30 million and can we actually even get \$30 million in increased revenues is 5% the right number?

>> Jennifer Maguire: Well if you want to retain every employee as you're suggesting the number would have to be about 15%.

>> Councilmember Oliverio: Okay, thanks.

>> Councilmember Constant: Quick question on the \$10 million in solutions there. Since it's a combination of fees, reserves and transfers, I'm assuming reserves and transfers are one-time and fees are ongoing. Do you know what you anticipate the split of that being?

>> Jennifer Maguire: I don't -- since we're just analyzing that now I would imagine the majority of this will be reserves and transfers in one time and just a small number of 2 to \$3 million in fees. We're looking at all the proposals from the departments on the fees I hate to put out a number but I think it's mostly one-time.

>> Councilmember Constant: Thank you.

>> Kim Walesh: Any other questions? We'll return to this towards the end of the session. Thank you Jennifer. If we could move these back to the side then as we mentioned earlier we're just going to start working our way down horizontally. So we're going to start out talking about the potential for new ongoing revenue sources. And the mayor -- Mayor Reed is going to lead us through that conversation.

>> Mayor Reed: Back in December we had a workshop, community workshop to talk about new revenues, among other things. And as a result of that we identified some of the potential new revenue sources that we would include in our poll in January. And so we do have some idea of the things that the voters might vote yes on. Probability of yes is, there's not very many. As you can see from the slide, the one that looks solid is increasing the card room tax or the number of tables. And state would allow the card rooms to increase their number of tables by 20%. So if we work within that number, there's about \$3 million of increased revenues. If you assume that all those tables would be as full as the existing tables. If we increased the tax from 13% to 15%, there's another couple of million dollars that that could generate. So that's the range for that particular revenue source, two to \$5 million. The half-cent sales tax is the one that's at 48%. The quarter-cent sales tax got as high

as 53%. We talked about these in the council meeting last week, with our consultant on that. And he does not advise putting a sales tax matter on the June ballot just because the 53% assumes likely November voters, which are not going to be quite the same as the June voters. That's a pretty slim margin. And as you can see the other items, the disposal facility tax, the business tax, parking lot tax, all polled less than 50%. We did not poll on everything and every idea. It was part of what we did in this workshop was to identify the ones that they thought would be the most likely. Or most palatable or least worst or something like that. But we have polled on these in the past and they don't poll very well. And some of them require two-thirds vote which makes them even more difficult. So we polled on the top five and those are the results. So the question is how do we get to our \$30 million here with new revenues? Even a quarter-cent sales tax if it were approved would be about \$30 million so that's one way to do it mathematically. The question is whether or not that is likely to be approved. And if it's not done in June then if you do it in November it doesn't take effect presumably until half of the year so you get about \$15 million out of a half-year's worth of revenues. And with that I think I'm going to turn it back one other thing just in the timing. There will be a slide -- there is a slide, it's right there, on the timing to get something on the June ballot. As you can see we don't have a lot of time. We need to get a sense of the council this morning, whether or not there's any of this that we want to put on the June ballot, because the staff memo has to be out very quickly. And on the card rooms, I think it's really important for the staff to talk to the card rooms, see if there is something they might support. I don't think any kind of a tax is likely to survive a very aggressive anti-campaign and that would be important to find out if there are variations of the card room expansion, the card room tax that the card rooms might support. And you got about a week to do that, get the memo out. So usually by now the draft memo would already be written in the sequence of getting something, trying to get it out. So we need some sense of the council this morning on that one or anything else that the council might want to put on the June ballot and that's part of what we need to talk about here. So I think the question now for the council to think about is, what about the June ballot and beyond the June ballot are there other new revenue ideas that we haven't had on that list, we don't know anything about that we want to try to talk about this morning. So Ash.

>> Councilmember Kalra: Thank you mayor. I certainly think in regards to the card room that we at least should go forward with discussing it with the card clubs themselves and so at least we have that option available when it comes back to us in early March. In regards to the sales tax I know it was given in -- it's given in memo form. I'm just trying to recall, the distinction if at all significant between having the sunset provision in there and not in terms of percentages of poll and volume.

>> Mayor Reed: There was almost no difference.

>> Councilmember Kalra: That was my recollection. But -- and the quarter-cent versus half-cent, what was the distinction?

>> Mayor Reed: That's the 48 to 53% spread. The half cent was at 48%, the quarter cent was at 53%, both before and after the argument, so it's pretty much at 53%.

>> Councilmember Kalra: And the consultant indicated that November, they would accept the November numbers to be less likely?

>> Mayor Reed: No better. Those were the know numbers.

>> Councilmember Kalra: I see okay, thanks.

>> Kim Walesh: I just wanted to point out that Dave Metz has joined us, if there are any other specific questions on the poll, you can ask him. But we've answered them so far correctly, I believe.

>> Mayor Reed: Have we, Dave? He says we have. Good, it's always good to have a checker in the room.

>> Councilmember Chu: Thank you. Mayor, I mentioned about the social benefit when we are talking about the expenditure side. Now we're talking about the revenue side and I raised the question about the social cost of increasing the card table. Has that been taken into consideration?

>> Mayor Reed: Not as part of this poll. Although the card rooms did agree last year when we settled the litigation with them that they would put money into a fund to be administered through the healthy neighborhoods venture fund process for dealing with the social problems that come out of gambling. I forget exactly what they're putting in. I think they're each putting in \$500,000 per year, so it's a million dollars a year going in for the next two or three years, and then it drops down to 250 each club per year. We do have that fund. It's been through the Healthy Neighborhood Venture Funding process, right, Vice Mayor? And I don't know if the money's actually passed hands to the nonprofits or anything like that, but I know we went through our process. (inaudible)

>> Mayor Reed: So a provider was selected, has gone through a process, and we don't actually handle our money. We handle the selection and the evaluation, and the card rooms transfer the money directly to the provider. And that provider was -- (inaudible)

>> Mayor Reed: A consortium of -- let Judy have the microphone.

>> Councilmember Chirco: It was a consortium of three, and AACI was kind of the administrative body, and I don't remember the other two off hand.

>> Mayor Reed: So that's to try to deal with the social impacts of gambling in addition to the taxes that they pay, that was on top of the taxes.

>> Councilmember Nguyen: Mr. Mayor, you mentioned earlier the memo needs to be out in a week or so. We've had conversation with the card room folks. I'm just wondering to what extent have we had conversations with them asking them to support the number of tables as well as the increase in the tax?

>> Mayor Reed: Well, the card rooms are not totally consistent over time with what their position is, as their industry changes. So I would say the current most recent position I've heard from them is first, that bay 101 would support an increase in the number of tables. They would actually be able to use them. Garden City is not sure that they would actually use more tables. Neither of them would support just a tax increase. I would say bay 101 would likely be supportive of an increase in the number of tables and increase in the tax on new tables, on new revenues, and that would probably be, I'm guessing here, be okay to garden city that they would be indifferent to it. But Bay 101 is the most interested in increasing the number of tables because they've got the capacity and they tell me that they see people leaving, standing in line, leaving to go to other places.

>> Councilmember Nguyen: Thank you.

>> Mayor Reed: So there's something in there I think both of them would either support or be neutral on.

>> Councilmember Campos: So mayor just to follow up on that question, what you're asking from us today is to collectively make a decision or at least give some direction that we're supportive of this, so that staff could start working on a memo to come back to us by, I believe, the 2nd, is that correct? Which would be the first time to review that to vote on it?

>> Mayor Reed: Well, if the memo comes out the 23rd, that would be the language and everything would be there for public review. But the first time that council would hear it would be March 2nd.

>> Councilmember Campos: And then we would take a formal vote on whether to move forward on that particular item, is that correct?

>> Mayor Reed: What is the date on that -- Lee Price is here. The date that the council would have to take the vote, last chance?

>> Lee Price: March 9th.

>> Mayor Reed: Thank you. So if we wanted to change something on March 2nd we'd have a week to get it formally adopted to get it on the ballot in June.

>> Councilmember Campos: Well, I hear your concerns, and I think we all feel the same way, that we need to figure out how we create revenue coming into the city, and it seems like this is the only one of the items that even polled fair. And that we may have an opportunity to receive some revenues. I do understand, and hear the concerns from some of my colleagues, which I do share some of them, about the other component, and we know that the card rooms have given a commitment to give money so that we could address the other social issue. But I think it does warrant an opportunity for us to at least move forward, and have the full discussion at the council, whether we want to move forward and put it open the ballot, so at least we'll have an idea of what we're looking at, to help eliminate the deficit. So having said that, I don't know what direction you need, if you need us all of us to collectively say that we're supportive, at least to have the discussion, or what are you looking from the council so we can remove this item and achieve the question that you've asked?

>> Mayor Reed: Well today it's really just okay it's worth investing the staff time to put this together to get the memo, do the research have the conversation and bring it back to us so that we can then make a decision.

>> Councilmember Campos: So then I would support that language that you just said, so that we can at least have the discussion.

>> Councilmember Herrera: I would support looking into it. I think we need to have all the options on the table. The number was 2 to 3 million. So is that assuming only net new revenue from new tables or -- I'm talking about the potential revenue from this.

>> Mayor Reed: Currently the card rooms generate about \$13 million a year, with the existing tax. If they were do expand by 20%, and those tables were full like the existing tables then you'd have a \$2.5 million increase just on the expansion, \$2.6 million just 20%. If you increase the tax on the entire operation, you get whatever, you know, it's going from 13 points to 15 points, gets you a couple more million.

>> Councilmember Herrera: So that's where we get the \$15 million?

>> Mayor Reed: The highest mathematical combination is \$5 million.

>> Councilmember Herrera: I would want to get the best possible case, I'd want to get the \$5 million but obviously we'd have to work with the card rooms to find out if they would be supportive.

>> Councilmember Chirco: My question was you talked about an increased tax on new tables. Would the increased tax be on all tables or only new tables?

>> Mayor Reed: We could talk about that but neither are supportive of an increased tax on the entire operation.

>> Councilmember Chirco: I think that would be -- should be part of the conversation because if we're going to do the increased table, I think that it's not unreasonable to expect. I also know how the climate has changed, and I know you worked really hard with the legislature to preserve that source of revenue. And so that would -- I definitely support investigating that but I also think to include in the investigation, tax increase on all the tables, as well as an increase in the tables. I know we've talked about this at council before when we were doing what proposition should we put on the ballot.

>> Mayor Reed: That's right, that was two years ago.

>> Councilmember Chirco: Thank you. I'm now a year older.

>> Mayor Reed: Two years wiser.

>> Councilmember Chirco: Around another one I think we should investigate is a November and of course this is further down the pipeline, but the quarter-cent sales tax just simply in November. We've got to ask the question, because I think it puts us in -- a position to tell the community, that we took it to the people. If they pass it then we can preserve some of our services. But if we don't ask, then we can't say, we let the community make that choice on how severe will our cuts be. Thank you.

>> Kim Walesh: Let me ask, would you just pass the microphone to Deanna Santana just to clarify on the rate increase. Deanna's been our point person on this.

>> I just wanted to clarify on the numbers. The expansion of 18 tables, which is the 25%, would assuming that both both card rooms --

>> Mayor Reed: It's 20%?

>> It's 24.99%. But assuming all of the tables are used by both card rooms the estimated revenue would be \$2.9 million, and then the polling that took place, from 13 to 15% tax increase, the estimated revenue was \$2 million. So any progressive tax, we would need to do some calculations to estimate what the additional revenue would be, but at this point we know it would be less than \$2 million.

>> Councilmember Kalra: On the quarter cent sales tax the polling was done assuming a November election date, so what's the timeline for that in terms of making a decision? Obviously might not be in as much of a rush on that, do we know?

>> Mayor Reed: We would have to make the final final final decision first meeting in August. And what we have done in the past with measures J and K was, we basically made the decision in June, spent some time during the month of July doing some additional work, so that we were ready to make the final decision in August. So if we were going to do anything for the November ballot I think we'd probably want to try to give the staff direction in June so they could get all the work done because you can't wait 'til you get back in August to do any work. It really needs to be done.

>> Councilmember Kalra: And I think that will give us time to see if the direction of the general economy, not necessarily the city, if it goes in a favorable direction that will also improve, you know, the sentiment of residents as well.

>> Mayor Reed: Well we know when the economy is getting better that greatly improves the probability that voters will say they're willing to pay more in taxes. If the economy turns around which some people think it will it could be better in November than it is now. Any other comments or questions on this? Sam.

>> Councilmember Liccardo: With regard to the sales tax in November, I'm -- nothing I've heard 'til today has led me to believe we're likely to get the cost concessions from our bargaining units anywhere near the scale we'd like to get to even to get near these modest targets. The question I have is, and this question may not be able to be answered without being in closed session, but have we explored at all tying bargaining unit concessions to the passage of particular tax measures, that is, that there would be a trigger of some sort that would reduce the impact if in fact a measure passed?

>> Mayor Reed: I don't think we've explored that although we did ask some questions in the poll. Maybe Dave Metz can talk about those. The arguments for and against a sales tax measure a couple of the strongest arguments were based on concessions and things we do here to be more efficient and that, and Dave can get back to that info, have you got that Dave?

>> Yes, I do.

>> Mayor Reed: So there's a connection. But we haven't had any discussions -- well, I can't speak to negotiation. I'm not at the bargaining table.

>> So councilmember, we asked as a follow-up to the question about the half-cent and quarter -- the half cent sales tax whether voters would be more like to support it, less likely to support it, or whether it would make no difference if they knew that city employees had voluntarily agreed to reduce their compensation by 5% to help address the deficit, and 50% of voters said they'd be more likely to support it, 21% less likely. Knowing that that strategy was being pursued at that time would make taxpayers more often to tax increase.

>> Mayor Reed: And where you did the arguments pro and con in a similar phraseology but not exactly the same, the percentage of people who thought the argument was persuasive was in the 70% or couple related kind of questions.

>> 62% when we presented it as a complement to employee concession, 62% said that was at least a somewhat convincing reason to vote yes as matched against the 48% that were initially in favor so that means a fair number of undecideds and no voters are open to that message as a reason to support it.

>> Mayor Reed: Sam has got another question.

>> Councilmember Liccardo: And I understand it certainly helps us in terms of the polling to be able to get these measures passed. I think perhaps we ought to consider the possibility of engaging with bargaining understand in a way in which their reductions are explicitly tied to the passage of these measures. I think we all recognize we're all in the same boat on this ultimately with regard to revenues. With regard to the card clubs I know historically I've been very much against the idea of expanding the number of tables. I understand we're in a very unique crisis right now and so I'm certainly open to considering that though mindful that perhaps more tables and fewer cops is not a prescription for -- for a healthy safe community but we know that we're in a crisis right now and I understand these are issues that we have to certainly consider.

>> Mayor Reed: Other questions or comments on the revenue ongoing? What is our current status?

>> Kim Walesh: Unfortunately it's zero and I think the worst case is that we would remain at zero and then we have it sounds like a referral to staff to pull together this memo which would be released probably one week from today with some ballot language, and analysis around potential up to 5 million here, and we'll look at some other options, some options. And then we have on the table to consider for November a quarter cent sales tax. The reason I did it \$15 million here is assuming half of the annual \$30 million amount could be conceptually applied to the 10-11 budget. I took it as 15.

>> Mayor Reed: Members of the senior staff has been awfully quiet this morning. If there are revenue sources that you have a question about we won't make.

>> Two things, is there no possibility to do this the July with the quarter cent sales tax?

>> Mayor Reed: With a special election?

>> Councilmember Pyle: No I meant June I'm sorry .

>> Mayor Reed: June?

>> Councilmember Pyle: Uh-huh.

>> Mayor Reed: There's a possibility. We still have time to get it on the ballot. The real question is whether it could win.

>> Councilmember Pyle: The educational component I think is already happening. I received a friends of the library letter yesterday in the packet that came and boy people are just really revved up about library hours being cut and the possibility is just striking the cord of threat into all of their hearts. So I think it wouldn't take a whole lot of convincing, part of the -- a whole lot of the educational component of making it happen. But then I'm not a predictor. The other thing is, it disturbs me that we could be back here again next year, unless we start doing more to educate the public in reference to why this is all happening. The state doesn't have enough reliable income tax or income, period, and that's because they haven't had the will or what have you to make it happen. There are ways to get a reliable source of income which was discussed when our group went up to Sacramento on the 10th. So I somehow -- that even though it's not new revenue perhaps it would stop the bleeding for next year. Because going through this again leaves us with dismal chances. We have to put a lot of pressure on Sacramento.

>> Mayor Reed: Dave metz could you talk about the June vs. November par part of.

>> Sure. A a higher turnout election is likely to be more advantageous in the sense you get more younger voters, more Democrats, more renters, more people of color that are likely to turn out who generally speaking are more likely to be supportive of public finance ballot measures. The polling generally confirms that. There is not a huge difference between the November electorate and the June electorate but it is a couple of points. Given the numbers we are here where we are right around the margin needed for a simple majority approval,ing in can make a difference. Would it be impossible to pass it in June? No but it would be harder in June, and obviously you have less time to prepare and do all the things to get the word out and educate the public as you mentioned.

>> Mayor Reed: Thanks Dave. Rose.

>> Councilmember Herrera: I'm concerned with us crossing the tipping point in community issues that could crime and our neighborhoods not being safe. Anecdotally, I don't have numbers in this but I'm seeing a tremendous rise in graffiti everywhere. People are worried about libraries being closed and for good reason. These are not your grandparents' libraries. These libraries provide services for not only checking out books but for preschool activities, for seniors, these are the one stop shop for people in our community. So I am very supportive of looking into the quarter-cent sales tax for November. I think we need to look into it. I think we need to engage our community about how we are going to reduce cost and show that we're being responsible on our end and ask the community to be able to weigh in on this because I think there's a lot of concern out there. I had one other idea that I wanted to explore, and that is, and this is just because I think we should have all options to look at. What's the possibility of bonding against C&C money to bring in money to support some of our operation and maintenance?

>> Mayor Reed: Who is our C&C tax expert is that our lawyers?

>> Kim Walesh: Volunteers, finance-guy.

>> Mayor Reed: We have done some work on C&C tax and we polled on a modification of it I think a year ago so Scott probably remembers all of that.

>> Scott Johnson: I think the proposal relates to bonding on our C&C tax revenues to provide a one-time funding for projects. And we did speak to a group recently about that particular idea. And this -- it's kind of the opposite, scenario that we would like to do, where we usually would bond to support something that would be reducing cost on an ongoing basis. As opposed to bonding an ongoing revenue stream that would bring one-time money to fund one-time projects. So that's something that you know we would have to analyze and we'd also have to find projects that are one-time in nature.

>> Mayor Reed: Question for the lawyers. What if we wanted to bond against the C&C revenues to use the funds for operating?

>> City Attorney Doyle: The C&C tax moneys currently are restricted. The categories mostly are parks as I think you know. There's limited maintenance dollars. The council did change that back in the mid '90s so I don't know the exact percentage Jennifer but I think it's 15%, 15% for maintenance. There's also a portion of it for fire and libraries as well. And but that's a very small percentage but it really gets down to crunching numbers and looking at what's available. Generally, it's capital-only and that's pretty much what we're stuck with.

>> Mayor Reed: So back to my question which I think you answered, if you wanted to bond against the C&C revenues and then use that money for operations to close, you know, this gap, would you have to put that to a vote before you could switch the money from capital to operations?

>> City Attorney Doyle: We're stuck with the same percentages unless we go to the voters.

>> Mayor Reed: So 15% currently is dedicated to maintenance, that would be the most you could put into maintenance without voter approval?

>> City Attorney Doyle: Yes.

>> Mayor Reed: City Attorney says yes.

>> City Attorney Doyle: One more thing. This is a tax that's a special tax so it would require two-thirds voter approval.

>> Mayor Reed: And did anyone rib what the C&C change polled last time? Less than two-thirds we would need 15% to change that allocation .

>> Councilmember Herrera: I was thinking for operation and maintenance. Last week when we had a suggestion from PRNS to not open parks, which you know those parks won't be built which those are jobs and just kind of the downward cycle if we have some way of being able to provide the maintenance money we get those parks open and it all relates, our kids then have someplace to go, we have more options, and maybe less other, you know, crime associated with the community. So I think we just have to look at those relationships.

>> Mayor Reed: Okay, I have one bit of good news which we haven't mentioned on the new revenue side. I think I can count this in new revenues unless Jennifer has already counted it. The settlement with PG&E had an ongoing component and the franchise fee if it's approved by PUC.

>> City Attorney Doyle: That is about 1.7 new money that is ongoing franchise and we also have up front about \$4.5 million to the General Fund.

>> Mayor Reed: Could we --

>> Kim Walesh: Is that included in the \$10 million?

>> Mayor Reed: On the board, get that on the board .

>> Councilmember Liccardo: In terms of other alternatively revenue sources I wonder how feasible it would be to go to the legislature to amend the Quimby act to allow us to capital restricted funds for maintenance and operations, since the most visibility impacts to our communities will be seen in parks community centers and pools and other community services, this may be a way of specially funding some of those services. I don't know if this is something we've considered before in terms of putting it on our legislative priority list or not but certainly something I'd like to explore.

>> Mayor Reed: I don't remember doing it. Betsy, do you think it's been on the list of things to ask? (inaudible).

>> Mayor Reed: Not in the last dozen years. If we were to go to the legislature to authorizes us to do it we couldn't get it done before when, how long would it take Betsy? Best case scenario?

>> Betsy Shotwell: Over a period of two years.

>> Mayor Reed: It's already too late for this year.

>> Betsy Shotwell: Deadline is Friday for introduction.

>> Councilmember Liccardo: That being said, I think it's an ongoing problem for us.

>> Mayor Reed: It probably doesn't generate cash within this next fiscal year.

>> Councilmember Liccardo: Understood. The oat question I posed this before, I'm sorry to put Rick on the spot here, but are we precluded sin taxes, whether it be anything from potato chips to beer to gasoline, are we completely out of that game as a city?

>> City Attorney Doyle: The -- there is so many categories. We do tax card rooms. In terms of a sales tax, you have to go within the sales tax or transactions and use tax framework. So if you're trying to get additional taxes. In terms of other types of -- whether United States a fee or a tax, we'd have to look at that. I can't -- I don't want to give you a blanket yes or no on this one. I want to look at specific proposals and come up with you know what is potential. I know Oakland has been aggressive in looking at fast food. But it was in the fee context of litter and helping to do it in that framework. You know, marijuana has been another idea that is something that we'll be coming back with. So you know, that's -- it really depends on specifics.

>> Mayor Reed: Okay, we need to move into the next session.

>> Kim Walesh: Final word.

>> Mayor Reed: Hans.

>> Hans Larsen: I just wanted to raise the other opportunity that's out there is the state legislature has allowed congestion management agencies like the VTA to impose a \$10 vehicle registration fee. The VTA board is wanting or staff is wanting to bring this up as a potential item for the November ballot. What that would mean for San José, is that we could get about \$7 million a year for transportation infrastructure maintenance primarily for street maintenance and traffic signal operation. So that's another opportunity to put on the table that's getting some consideration for this November.

>> Councilmember Liccardo: Okay, that goes on the list for follow.-up opportunities. John .

>> Kim Walesh: One more.

>> Mayor Reed: John found a pot of money.

>> John Stufflebean: John Stufflebean environmental services I know it didn't poll that well but there are some compelling arguments that might make it go better. I'm talking about in November. The disposal facility tax hasn't been increased in 25 years. It encourages recycle, because you're taxing disposal. It is part of the cost of doing business in San José, landfills, cost, host community, a lot of money and the most compelling argument is, half of the money comes from outside of San José. But only San José voters vote on it. So if that was made in kind of a strong campaign, and that's a big question but that would -- that might be compelling so I just wanted to -- didn't want to lose that one as a possibility. Thank you.

>> Mayor Reed: Taxes on others always more popular. But to that point, if we're going to look at the November ballot we'd want to look at the decision in June so we're ready, we might want to do some apology in June before we make that decision so that's another thing we need to do in the way of follow-up because those kinds of arguments maybe we could get a better idea what really moves the voters. Pierluigi.

>> Councilmember Oliverio: To the survey guru in the back when you polled on the disposal facility tax were the arguments, I don't remember them in the other cities the majority payers or.

>> We did not make that specific argument. On the waste disposal fee we tested one brought argument from supporters and one from opponents. The one from opponents largely focusing on companies would pass this on to ratepayers which for those kinds of taxes levied on businesses are usually the most compelling kind of argument. The numbers were mixed. I think it would have to do with how the ballot was framed and what the impact would be on them I do believe on exploration the potentiality that there could be more support for it but we've polled that tax in other jurisdictions as well and seen that kind of ambivalence from others at least initially.

>> Councilmember Oliverio: Thank you. I think to the mayor I don't know the politics of the land use facility folks but could it be similar to the card rooms where if it's something they want they would support a higher tax if they were able to garner something and I have no clue what that would be.

>> Kim Walesh: Maybe, that's something we should --

>> Mayor Reed: That's an important question could you do it in a way that they're at least neutral? None of these fare very well if you have an organized campaign against them.

>> Councilmember Herrera: Looking at this it's from 1.5 to 8 million. How do we get 8 million?

>> Kim Walesh: Do you have an answer to that?

>> Mayor Reed: John has an answer.

>> John Stuffbean: The 8 million depends how you raise the tax. The 8 million is the upper limit we broaden what it's taxed on so it's basically how much you tax it.

>> Mayor Reed: Others before we move on to the next category?

>> Councilmember Chirco: When you did -- you talked about the survey --

>> Mayor Reed: Dave metz.

>> Councilmember Chirco: You said there were other municipalities that had polled the same question. Do you know if there were any who actually took it to the ballot?

>> There are some in other states that have. Here in California I'm not aware of any that have done it recently. But that's something that I'm sure the league of cities probably has data on that they could provide.

>> Councilmember Chirco: I think it would be interesting like -- because you mentioned how you framed the question and how other communities had framed it and were they successful and were they not. Thank you.

>> Councilmember Oliverio: One follow-up to that. Can we as a city just charge the other cities more? Because there is a cost for maintaining that facility and we are fortunate enough to have those facilities. So if I want to charge Sunnyvale X more can I just do that as a fee? City Attorney, or --

>> City Attorney Doyle: The structure we have is a tax. And that requires voter approval. The fees, I don't think you could charge any greater, unlike parks or certain recreational facilities that we are permitted to do for disposal facility I don't think you could charge any more. And it's a privately owned company that runs it. And so we impose it on the company.

>> Mayor Reed: One more from Nora.

>> Councilmember Campos: Just one more thing. I know when Jim Helmer was here he and I had had a discussion, probably started about three years ago, about double fines for school zones if people were seating and I know he worked with the league of California cities and I don't know what happened with that and I know there were state issues in order for the state to do something with that we 97 moved forward with that. I think it's important to see where we're at with that and if it's something that's feasible and Ross reminded me of that so I wanted to bring that up because that's also another opportunity for revenue.

>> Kim Walesh: Sounds like we'll keep that one on the list and before we close Mr. Mayor I just want to clarify what the referral is on the card clubs. So we will bring back in approximately one week the work plan and analysis, the draft ballot language, and we'll also clarify any other related issues that might need voter approval. There may be an issue with betting limits so we will tell you exactly what we need to do in this memo next week and how we would go about doing it.

>> Mayor Reed: And that would be on the council agenda for March 2nd.

>> City Manager Figone: That outreach will include our meeting with the card clubs, to make sure we understand what they'll be willing to support and work with the city on.

>> Councilmember Chu: Mayor, do you need a motion to put the disposal facility tax on the board?

>> Mayor Reed: No, it's already on the board, it's San José we'll have to follow up on and do some additional analysis on.

>> Councilmember Chu: Great, thanks.

>> Mayor Reed: Clearly, it's not going to be ready for a June consideration. But it is certainly something we got to look at.

>> Kim Walesh: Okay, thank you, that was really good helpful discussion. Let me suggest we move one row down and we're going to talk about the \$30 million that was intended to come from alternative service delivery models and efficiencies. And to lead that we have Ed Shikada, our chief deputy City Manager.

>> Ed Shikada: My third hand here. Good morning again, Ed Shikada, chief deputy City Manager. Let me refer to my notes here because I have got some information I want to make sure we cover, so can you see the screen and also can I. Okay, so briefly to give you a sense of what we're going to cover in this portion, it is as shown on the board pegged for the \$30 million target. And what we really want to provide is an update for the council on the emerging issues as you're aware, departmental proposals and recommendations are taking shape, going through our analysis, and we can give you an update on where that stands. First off just to start with the definition. And to try and provide some common baseline for what we mean when we're talking about service delivery alternatives. Basically, we run the gamut from what might be considered the basic city employee provided services. But also, can include a variety of other means of providing services to the community, including interagency agreements such as whether it be with the county, another city or other agencies, contracted services, as we have many examples of right now, with private companies, same is true with contracted services, with nonprofit organizations, we've been exploring and had a few successes in the area of corporate and philanthropic donations as a means of supporting services. Also, volunteers, certainly a number of neighborhoods have expressed interest in pursuing volunteer-based services. Changes to service delivery methods which is a theme we'll come back to and how that's being done and finally divestment, sale, lease and other means of disposing of current assets. Next slide, please. Okay. In terms of the service delivery model changes, just to recap for the council, actions taken late last year, specific to what we're referring to, service delivery evaluation policy. The council adopted a new policy, tied, related to the competition, public-private competition policy, that basically sets forth a framework for how the city decides to change service delivery models over a certain magnitude. First is that the process that's currently ongoing, we're vetting and doing some brainstorming among options among the departments and we identify what some of the proposals might be. Second, that there is a business case analysis that is conducted which goes through a series of questions that speak not only to the financial potential benefit but also the values-based changes that come into play by changing the service delivery model. Third bullet here in February later on this month we're on track to notify the council and stakeholders with some of the concepts that we're looking at. And those that we would expect to advance through the upcoming budget cycle as items that we're currently vetting and again would like to have discussions with stakeholders on. And then finally the implementation time line, really dependent on the magnitude and the significance of the discussions and analysis that would need to happen, that as to what the time line would be going forward. That said, the potential, if there were an action as a part of the council's upcoming June deliberations as a part of the budget then that could set into place a milestone that would define some of the process going forward. Next slide. Okay. So, now that said, while again, we've gone through a series of discussions, established a new policy, again, the service delivery evaluation policy, the second piece of which is the competition policy, the public-private competition policy, do need to highlight what has really emerged as a dilemma and I think it's an appropriate term for it because certainly in terms of discussions with senior staff as well as the discussions that will happen in the future, this is a dilemma related to our current budget time frame and how we charge forward. First, in terms of the service delivery evaluation framework and again, moving into the competition policy, let me do a quick recap on some of the process requirements. Once, if and when the council decides to pursue a service delivery change that could involve private contracting, there's a process that's involved. And these are defined by the public-private competition policy. First, there would be an internal competitive assessment to see how the City's, city staff provided services, would compete, how it could be improved, second, that those improvements would be made, third, that measures are made, or established to assess the ability and the actual achievement of those improvements, and that should it go to a direct head to head competition between city staff, work unit and a

private competitor or private company that there be competition training provided to those employees in order to maximize their potential for success in such a competition. Fifth, that there would be a request for proposals and a specific separation between the staff that is doing the RFP and those that are competitors. Sixth, that there would be an agreement established and the council would ultimately approve the direction to proceed and then finally there would be a transition of those services. The dilemma and hopefully coming into picture here is the time line to complete that process is approximately 18 months. And that can vary but as an order of magnitude, that on its face, does create a problem with respect to our upcoming budget cycle decisions to be made this June and savings, should they be identified as position eliminations, in lieu of pursuing the competition policy, would basically provide savings immediately, again, not certainly a pleasant scenario for anyone but nonetheless a certain one that would provide those savings immediately entering into the new fiscal year. On the other hand, going through the competition policy process would take another year, year and a half. So again, the dilemma as it is among staff, the discussions of options and specific proposals is taking shape is whether to advance the proposal knowing the savings would be a year and a half out versus position reductions given our budget targets. Okay, with that let me quickly note some of the key policy drivers. In addition to the service delivery process which guides the time frame and the process under which the discussion of a concept happens, second, the public private time frame under which managed competition, between a city work unit and private service provider happens. Third, and a number of these policy drivers are actually embedded within each other so they may to a certain extent be discrete policies but they are also notable given the discussions and options specific to time frame. The prevailing and living wage policies, which define both the dollars that are paid under various service provider scenarios but also involve reporting requirements that apply to third parties. Worker retention, third tier review requirements which factor into the RFPs but also reporting requirements under contracted services, insurance and indemnification requirements which relate to cost and risk management on both the part of the city as well as if and when we do a third party service provider, to their cost and some of the time line associated with entering into an agreement as well as that can often result in some protracted negotiations. And then finally the meet-and-confer process again, really a structured process but -- can be a structured process but really speaks to time frame more so than anything else. Key here, sorry just to go back through that, key here not to suggest that any one of these policies are bad, not to in any way imply a value judgment on them but I think it is important for us, as staff, to note the time line in particular in process requirements that cumulatively they have on some of the options that we in front of us. Okay, next. In terms of divestment options, asset management has certainly been an area of discussion council has had over a period of many months and at this point years. But want to note that there is an upcoming report to the Public Safety, finance and strategic support committee later this month, actually just later this week, and having update on what's happening in the ongoing evaluation of alternative uses of different properties and that effort being led by our general services department, in progress we've got the former City Hall landfills that are being reviewed as well as two parcels associated with the water pollution control plant and golf course and as noted in that report that will be discussed by the committee, a recommendation to add Hayes mansion as one of the properties to be -- to add the Hayes Mansion as one of the properties to be considered this current calendar year. And perhaps obvious but worth noting that by virtue of divesting in any one of these properties, we would see the city discontinuing or being in certain businesses if for example the Hayes mansion being pursued. Okay. And then finally with that, I think that for the purpose of teeing up the discussion, we did want to identify one question for the council discussion, given the magnitude of the -- both stakeholder outreach, analytical work and the like that would be involved with pursuing any one of the service delivery alternatives that would definitely involve whether it be the competition policy or other scenarios as well, to do a check-in, whether there is any desire for us to consider suspending any of those policy drivers. So with that turn it back.

>> Kim Walesh: And clarify what is the potential allowance or value of these, could help us (inaudible).

>> Ed Shikada: At this point it is difficult to estimate but as an order of magnitude I think our staff has identified potentially up to \$2 million under the service delivery alternative. Again, cumulatively, really driven by many small actions more so than any large.

>> Kim Walesh: Questions or comments for Ed.

>> Councilmember Constant: Just a comment. I think whenever we have a problem of the magnitude that we have, the council should entertain the possibility of something to the effect of, like what happens at the state where you declare a fiscal emergency, and you have the ability to suspended policies that are really restricting

and in fact oftentimes eliminating our ability to do anything about the problem. You can see here already, we're only on the second of three areas and we've got \$2 million down to solve a \$90 million problem. And if you look, I can't remember what the last one is, scoot over just a little bit, the staff concessions. So we're going to hit the third box here in about five minutes and we're still only going to have 2% of our target addressed. So I think we should actually probably even formalize a process for declaring a fiscal emergency where we automatically trigger a review of each of these. And we could look at different things like when there is a deficit of X amount but I don't know what the criteria is but I think it is definitely a direction we should be going.

>> Councilmember Herrera: I agree with Pete. I think we need to look at declaring a fiscal emergency. And we need to look at if some policies need to be suspended during this time, or how we can work through that. The \$2 million you have up there, can that be gained, though, without having to suspend policies? It sounded like you said small changes, Ed. It was making me think that we could really get that without --

>> Ed Shikada: Yes. I think that would be working within our current policy framework. Again many little things, not any single silver bullet, so to speak.

>> Councilmember Herrera: And I had also asked staff to come back with information on the catalyst fund, currently we have \$1.5 million waiting to be invested in that, that is another \$1.5 million that could be invested in other ways. I'm interested in other investments like that where we could look at how else we could use that money.

>> Mayor Reed: Could you go back to the slide before this? Okay, no -- right there. I'd like to get an idea of the value, how much money we're talking about, the things that we're looking at. Former City Hall is worth maybe 20, \$25 million in that range, one-time funding. I don't know what landfills, kind of ongoing funding that might generate, whatever you're doing there considering --

>> Ed Shikada: The way we're looking at the landfills is more a mitigation of ongoing cost than a revenue per se and have a productive use of those landfills.

>> Mayor Reed: These are the old landfills that we aren't using for landfills anymore.

>> Singleton and story.

>> Mayor Reed: There's not big dollars there is that correct ?

>> Ed Shikada: That's correct.

>> Mayor Reed: The two water pollution control plant parcels?

>> We're working with ESD on one of them on a lease to waste to energy, and again the dollars are going to be smaller than sort of how we use them for services.

>> Mayor Reed: And those funds would not go into the General Fund probably anyway.

>> We do have some ability to work, we've got to work with the tributary agencies, they get their share. The city gets its share. The city share could come to the General Fund depending how we work it.

>> Mayor Reed: All right. On the golf courses the idea is we have got three golf courses, if we could sell one pay down the debt have two golf courses and save \$1 million a year?

>> Right, that's the amount of the General Fund subsidy right now.

>> Mayor Reed: And the Hayes mansion I think we're at six, almost \$7 million every year out of the General Fund to keep that going and the idea is to dispose of it, sell it some way that pays down the debt so we get out from under the debt service and save the operating costs as well. And that would be dependent not on selling it

as a hotel because we already looked at that and it doesn't cover the debt service but for some use like assisted living or senior housing or something.

>> That's right, looking at what the options are.

>> Mayor Reed: The golf course is a million Hayes mansion is \$6 million. Okay.

>> Councilmember Chirco: This is for clarification. If we were to settle one of the golf courses would -- sell one of the golf courses would it be to maintain it as a golf course only under private ownership? Because my concern is it is open space. That is a concern we have in San José, we're always open space park deficit so what would be the intention to sell it for what possible use?

>> We'd want to look at all the possibility but we'd have towns that selling it as a golf course use the value is much lower than selling it for residential uses and those kinds of things.

>> Mayor Reed: We know you can't cover the debt service if you sell it for a golf course use.

>> Councilmember Chirco: And that's my concern, I know as we're looking at the green print and on the general plan how park-deficit we are. And how can we tell a community we're selling an asset and losing open space when that's a chronic issue within our community? I realize these are extraordinary times. But I think that's something we need to think about because we're looking at already we have some parks that are being land banked because we can't do the O&M on them. But at least we have the land. And here's possibility of land and how do we thoughtfully move forward. Thank you.

>> Mayor Reed: I think the idea on that is to sell part of the land, of one of the golf courses, have part of it remain as a park or open space. And sell that land for enough money to pay off the debt service. At some point when are the land values get high enough can you can do that. I just don't know what level those land values are, we're probably not there in the current market. But a year from now, we might be. That's sort of the framework of the analysis.

>> Councilmember Pyle: I just wanted to know. Is Hayes -- is Dolce in any shape to take over the Hayes completely or are we helping out because they can't do it completely? I don't know what the agreement is.

>> Scott.

>> Scott Johnson: We currently have a management agreement for the City's Hayes Mansion with Dolce. Dolce might be interested, but if they were interested they would want to pay current market value based on the use. Which, in today's current economic situation, is probably worth 20 to \$25 million. And we owe over \$60 million on the facility.

>> Councilmember Constant: I just wanted to follow up on the vice mayor's comments. While those golf coercion are open space, they're actually -- courses are open space, they're actually utilized by less than 1% of the population. Because there are fees associated to go there and use them so taking them and selling them for highest and best use, primarily residential, with a park that's more publicly accessible to all people, I think would actually increase the usage by members of the public.

>> Councilmember Nguyen: Thank you. Regarding the landfills what are some of the alternative uses for the landfills? I know there was some early communications about perhaps looking at solar farms and some of the other options but I was wondering where are we with that conversation and some of the other alternative uses?

>> We are still talking with PG&E and others about possibility of solar use on a couple of different parcels so that's the one we're still focused on at this point.

>> Councilmember Campos: I just wanted to reiterate what the Vice Mayor said about the open space. I think when we start thinking about the future, and we need to think about best use, yes, it is a golf course, and maybe it will only be serving a certain percentage but it is open space. And whether it's a golf course or open space, so

that we're reaching the mass of people, we really need to think about whether we're selling open space in communities that are underserved that are high density, and really what quality of life are we giving to communities that maybe have not the same equality as other parts of the city. So I've asked this question many times, how do you quantify what this golf course does for underserved communities that are not paying a fee, that are using it and have access to it, and I know it's been hard for people to quantify that, before we make a decision on our golf courses that we really need to have some of those questions answered.

>> Councilmember Constant: I want to ask a question as it relates to efficiencies, and I know we've talked about city efficiencies, but have we really analyzed what things that we do that the county also does, and both entities carry a bureaucracy and a administration to achieve the same mission. And how we might be able to enter some cooperative agreements with them and other government entities where we could say we have department A here and department A there that do the exact same thing on a different scale. Since we're serving the same public and we're trying to achieve the same goal have we really looked at that in critical detail yet?

>> Yes, councilmember, that is in fact an ongoing conversation. We just recently kicked it up in terms of level of specificity, in trying to piece together some options. It could take a number of forms, including both direct services and having one agency provide maintenance services, an example one service that is currently being provided to the other, could share facilities where we have staged facilities that might make sense for joint use and the like. I would hazard a guess that no silver bullets but there are opportunities and the discussion is ongoing.

>> Councilmember Constant: And I think one of the areas that we might be able to look at as well, I know we're looking at our own boards and commissions but I know the county has similar commissions and perhaps we could enter discussions about combining commissions where we have a number of seats, that belong to the City of San José residents, and then we can refer things to a joint county-city commission for work, and advice and things of that nature, and I think there's a lot of areas if you put our list of commissions next to each other, probably about 50% of them are duplicate commissions. So just another area I think we could look at.

>> Councilmember Liccardo: In response to the initial discussion question about suspension of policies, in order to reduce service impacts and layoffs, the answer for me is, yes, I'm certainly willing to consider those kinds of emergency suspensions, I think as Pete suggested. I know, though, we've been through this several times before, and before, you know, our management team engages in all the brain damage that we went through last time and I think Councilmember Oliverio reminded us a week or two ago, it was a seven to four vote last time we addressed this issue in general terms, we probably need to be really look at this in a very specific context. It seems to me that we'd have to have a specific proposal, for a specific savings, set of savings, and specific services in front of us, so that everybody on the council can clearly see what exactly we're giving up by clinging to these policies at a time when we're in such a series fiscal crisis. I'd like to believe that if we're really presented with the stark facts that that seven to four vote may change. But I don't see it changing otherwise. And I wouldn't want everyone to go through all the enormous amount of work, you're already dealing with an enormous amount of work dealing with this budget situation, I wouldn't want us to go there that with the brain damage just to find out again that it's the same vote.

>> Kim Walesh: Is that the idea Deb, that we would bring this forward in a specific situation with a specific analysis of some of the tradeoffs involved for you to then decide?

>> Ed Shikada: Yes, it is.

>> City Manager Figone: Clearly for the alternative business model part of this, but I'll be real blunt, we're considering whether or not to contract out services which could be subject to meet and confer but not necessarily fall under the competition policy, because it's very clear that it's really not a matter of competition. So those may be based on how the conversation goes on the alternative service delivery model we may be able to confront some of those questions. But I'll be very frank we're having to consider contracting out services that have not been popular to contract out in the past but I think we'd be doing you a disservice if we did not have those back on the table again.

>> Councilmember Kalra: In regards to some of the items that have been mentioned, first of all the slide that discusses competition policy dilemma we're aware that the competition policy wasn't being used prior to this

newest iteration of the competition policy which at the very least seeks to increase internal competitiveness and quality of work. So you know, it may be seen as a dilemma but the reality is, as our City Manager has indicated, the real detailed areas that would be looked at are meet and confer areas, and with that we'll have to go into discussions anyway with the bargaining units on items or services that seem to be more meatier than any that would be considered for competition policy. In terms of the divestment options I'd certainly, you know, as part of that I'm assuming we'd be seeing that in this market, the ability to release any assets, not just what we would get for doing that in this market, but how much we're losing out on by doing it in this market as well. There are some areas such as former City Hall where we at least have an interested party that we're in great depths of discussion with them on a number of different issues, so at least you know there's something there, that -- to go with. But you know when you talk about the golf courses or the Hayes mansion, and what have you, the sounds easy to say, oh, we'll just get rid of the Hayes mansion, we'll have some buyer come in and we'll solve our problem with the \$6 million a year. It's not that simple, the reality is we're not going to get the value for it, it's a great asset in terms of the acreage, and the golf courses are a great asset in terms of the acreage and so on we do know that certainly the business that the Hayes mansion has been hit, such as the downtown has been hit, but it's not in the downtown and the Dolce since coming on board in management has improved the revenues leading up to the recession, we had seen a marked improvement in the quality as well as the management of the Hayes mansion and then the recession hit. And even through this recession they even then still found ways to cut back on their cost. As they've been suffering through it as well. So I'd certainly like to have what we can get for it, a year from now or two years from now, two years from now, three years from now, during this deep recession, to get rid of assets like that, furthermore, regards to suspending policy drivers and you know, declaring states of emergencies, you know, I don't know the manner in which Sacramento has handled their budget is an example we should be following by just declaring states of emergencies and finding ways to suspended policies some of which have been in place for many, many years through million councils and some which will be evaluate looked at more recently. But you know, considering suspending a living wage policy or anything along those lines, I don't know how that helps anything by, you know, exploring how we can give poverty or close to poverty wages, to employees that, for the most part live in our city, I don't see how that's adding to the debate of what we really do with our current situations. So I agree that some of the issues may be meet and confer in some of the areas in speak with the bargaining units can agree upon that are areas that may make sense. But I think we should just be cautious, even as we look at this daunting task, we should be very cautious as to what some these policy drivers are, and the meaning behind them, behind the policy drivers. But the discussions that we all need to continue to have but to continue to talk about a seven four vote on a competition policy that wasn't being used and we at the very least we created even though there wasn't full agreement we created a system of evaluating it, we know that that's not going to get us out of the hole. I know Pete indicated we have to look at everything and that's true and we at least need to put our energy and resources and thought in areas that we're going to get our best bang for the buck. If we know we'll save couple hundred thousand or hundred thousand a year sure that ends up but areas that completely move out of city service I think in talking to the bargaining units that there are areas that we often come to agreement with they get more bang for the buck and that kind of discussion instead of as Sam mentioned the brain damage that maybe caused by going back into areas that an enormous amount of energy was put into, and we don't know if we're naturally going to get an enormous amount of results out ever by reevaluating and going back into those areas.

>> Kim Walesh: Let's take a few more comments. Time checking, it's 11:00, so move on shortly.

>> Councilmember Constant: I understand what Ash is saying about the cost of selling an asset today versus selling five years from today or three years from today. But a lot of these properties have ongoing annual not only the debt service, but the drain to the General Fund in multiple different ways. And we have obligations to meet today. And if you take -- any analysis has to take the burden on the General Fund is for each additional year that we maintain these properties. Because as I like to say, you can't feed your children with an IOU. We can't keep our employees employed with a promise to sell a property in five years. That's something that we have to keep in mind, because our ultimate goal is to provide service to the residents. And we have to look at how we're going to do that if we have to take the whole \$100 million in service eliminations we're going to have a very difficult city to live in next year and that's something we really really have to keep evaluating and getting 10% more even 30% more for a property in three years is probably not a good business decision for us to be making.

>> Councilmember Oliverio: The old competition policy was terrible. The new competition policy's infinitesimally worse. 18 months, 24 months, require multiple council votes, don't even waste your time. if the council isn't

willing to change their policy, don't do it. The council's spoken, they're not willing to do it. Bring your cuts and let us understand what those cuts are as a result of the policy with which I did not support janitorial service at nighttime, contracted out at \$625,000, in sourced, \$1.8 million, that's every single branch library in the city open a day of the week. That's the savings that you get from these types of things. When it comes to Hayes, as much as Dolce is great they can't improve the position and geographic location of the Hayes mansion. It's just a bad place. And it's never going to make money, profit, in that location. So listen, as it's been said and the marketplace, yeah, we don't want to sell it on a down market, even though Councilmember Constant brings up how much we lose per year but the demographic of seniors is growing tremendously in this country and they want to have a place where they can be cared for and that's a perfect place to do it. Either it's through a lease to get out of \$5.9 million loss a year or it's an outright sale to get out of the mortgage payment. With that thing in mind, when it comes to the golf courses we would still have two 18-hole golf courses, we could certainly consider building what we're thinking of the general plan 2040 a village, something with density and retail and has two soccer fields and I bet you two soccer fields would utilize more youth and fat people to lose weight than golf which is a lethargic sport, whatever. And then finally it's on the topic but it's not addressed by Ed Shikada, it's the question of nonprofits. We give \$11 million a year out of the tobacco settlement funds to the HNVF funds. Is that \$11 million worth more than a transportation department staff, a Planning Department staff, Public Works staff, police officer, librarian? I say no it has to go in the General Fund .

>> Kim Walesh: You want to follow that?

>> Councilmember Herrera: I thought Hayes mansion was 8 million, one of them was 8 million ongoing. I just wonder how many employees that would represent ongoing, 40, 80? I'm thinking about positions and services eliminations, service reductions that are going to happen with that ongoing drain and I think we have to act now, we can't wait.

>> Kim Walesh: Is the answer to the question was 64 employees per \$64 million, roughly eight employees per million dollars.

>> Scott Johnson: I was just going to clarify for Hayes mansion, we're estimating for next year the subsidy we're anticipating would be about \$5.9 million.

>> Kim Walesh: So there's clearly a lot more we need to keep talking about here . Mayor Reed.

>> Mayor Reed: I have one more thing to bring up here. Vice Mayor said she didn't want to skit at this point.

>> Councilmember Chirco: Yeah.

>> Mayor Reed: But I don't want to leave this point before I share this about Muni water. Before I got in the council the council made the decision not to lease out Muni water and we were going to get \$4 million from Muni water. First I'd like to know how much revenue the council gets from san José water, they thought that if we went back through and leased out Muni water that it would be worth \$50 million up front and \$2 million a year in franchise fees. Now, whether or not that's truer not, I don't know. I'm sharing it with you just so you'll know it's there and it's one of those things that we visited, I think Bob Brownstein started this fight when he was work on the sixth floor. And it took about nine years to get to that decision. So it's not something that you necessarily want to jump into lightly. But if there's \$2 million a year in General Fund revenues you have to think about it.

>> Jennifer Maguire: And just to clarify it's only about \$800,000 a year.

>> Mayor Reed: Rick, what about the \$4 million out of Muni water we thought we might get? I know there were some lawsuits and changes and things.

>> City Attorney Doyle: In terms of what we used to get in return there were two. The council, one, made a change in terms of what kind of return we could take and then secondly there was case law Supreme Court in terms of outlying any in-lieu of franchise fee transfers that used to be made and in lieu of property tax moneys that used to be made. So it's significant reduced any contributions to the General Fund which is a, clearly a changed

condition then when the council considered this back in 2000, and what was that, 3? And so it may be something that you need to revisit.

>> Kim Walesh: Okay, I'd just like to clarify for our score board here, scenario A is intended to be sort of the worst case scenario. Ed, is this a zero here or is this up to \$2 million. How confident do we feel that with very little or no policy changes we could get the two?

>> Ed Shikada: Zero.

>> Kim Walesh: So this would be zero. And this would be the \$2 million here. With some other multiyear potential on the other side of this.

>> Mayor Reed: Yeah, because all of these things that we've talked about here, none of those are going to happen in this next fiscal year, right? So even if you were to say today, we want to explore getting rid of Hayes mansion, we go through the process, wait until the market's right, we're probably well into, not this year.

>> Kim Walesh: Just so we're all clear, it's zero to 2 unfortunately at this point in time for this year. Okay Ed we're going to move down to the next part of our third here is the staff cost concessions which was a target of \$30 million and what's the current status of that?

>> City Manager Figone: Thank you. This will be relatively brief.

>> Jennifer Maguire: This will be relatively brief. Importance of achieving the one-third of your direction to us from employees concession and that currently sits at 5%. By April 1st, would be ideal, early April, in order to be able to count those concessions in the budget. Clearly many of the contracts are open until June 30th but in order for me to be able to count them in the budget balancing, April 30th here is our schedule, we have nine, and Alex is going to correct me if I'm wrong, nine of 11 bargaining units that have open contracts of some nature. The two that are closed are MEF and CEO. They would have to be through mutually agreement to evenly open the contracts. We are in talks with our MEF firefighters union we are headed to arbitration, that isn't even scheduled until June. If getting concessions means waiting for arbitration it is probably safe to say that we won't be able to count on any however it is our hope that even with an arbitration scheduled we can still continue to meet and confer up until and through that timing and so we are hopeful that they, too, will agree to talk to the city and to agree to concessions. So I really don't think I have anything else to add. Clearly this is a very important part of the equation. And it is going to be absolutely critical that we come together and resolve this issue, as soon as possible. So unless you have questions for me?

>> Kim Walesh: That sounds like the current status, zero.

>> City Manager Figone: Current status is zero.

>> Kim Walesh: The worst case is that we would carry that over. The best case at this point would be the \$30 million. FTC any questions for Deb or others on that? Okay. So I any this is the point in the meeting where we need to look at the bottom line again, where we're at right now. So clearly, scenario A with the most service impacts is, you know, the 90 million minus the three zeroes here, as we would be in a position where 90 million would come from the service position reductions and eliminations. What is the sort of up side realistic case here where we have the 90 million and then we back out the 6.7 million which assumes we're successful in June with the card tables and rate increase and we're counting on that PG&E seven for the \$1.7 million and then we're going to get 1.2 million from the service delivery alternative models and then we get the full 30 million --

>> 51.3.

>> Kim Walesh: 51.3. That's 51.3. So that's what we're looking at in terms of the manager's budget for May 3rd.

>> Mayor Reed: Can you convert that into jobs at 129,000 and change average, I think that's the average? Somebody's got a calculator here.

>> Kim Walesh: Somebody is doing that.

>> Mayor Reed: What's the number, both of those?

>> Kim Walesh: So this is about 400 positions.

>> Alex Gurza: 400 positions and the other is approximately 700 positions.

>> Kim Walesh: And how many positions are there hypothetically in the city now? Where are we at now? Roughly 6600. 6521. Okay. So we're just going to let those numbers sit there for a while. And what we're going to do, Deb is going to say a few words and just to give you a sense of what we're looking at in terms of magnitude, we've asked the department heads from the five largest General Funded departments to say a few words. Deb do you want to-

>> City Manager Figone: Yes, I really don't have too much more to add. I really at this point had wanted to share with you all the reduction proposals that had come into the manager's office but we're just not at a stage yet where I feel comfortable in sharing that list with you. Even though they're not analyzed, I had hoped that we could. But that said, I think it's very important that the five department heads that we've asked to present today do share with you kind of high level, what they are in real time either have or are continuing to work on for my consideration. And so we're going to give them each about three minutes to, again, roll up for you very high-level what they have all right submitted or are continuing to work on. So you get a sense for what they have had to confront and really, this will continue to ground us in the reality that you are likely to see in a few months. The other thing that I would like them to not be shy to do is to just share with you some of what they've had to wrestle with including perhaps some of the policy drivers. Again, not to pit values against one another but again, I think part of the value of today's conversation is so you actually know what we're grappling with. Okay.

>> Kim Walesh: So three minutes each, no particular order, that's how they're on here. Jane if you could go first, we'll have library, then police then PRNS then D.O.T. and then fire. So three minutes, kind of high level overview and I'll be in the back giving you a cue if you need it.

>> Jane Light: Okay, I don't think it will take three minutes but the library's target at 35% was \$9.4 million. And we started out with already having 19 fewer FTE than we have today, because of the one-time things that were added last year, mostly for branch libraries and a limb for king library. So that was -- a little for king library. So that's a begin. And so then what we ended up to get to the \$9.4 million we looked at branch library service and hours to be about a 7 million reduction and 56 FTE. The bulk of our resources do go to the branches either directly in staff or the support staff that support those branch activities such as delivery services. Then king library services and hours would also be reduced for a reduction of \$1.8 million and 25 FTE. We do actually claim a small service efficiency proposal of 6 million, \$600,000 and 7 FTE and that actually does things like looking at how we -- how often we count cash at the branches, how much time we spend doing looking at weekly schedules, not certainly more effective but certainly more efficient. So that's another 7 FTE. So in total they come to 88 FTE, including full time, part time benefited and part time unbenefited employees. The anticipated reduction of hours would be at branch libraries 45%, at King 10%. Compute users 35 to 40% estimated at this point what the impact is but we assumed some compaction so even if we cut hours by 45% we are just busier during the hours we're open and a 50% reduction in program such as story times, job search workshops, et cetera.

>> Kim Walesh: (inaudible) we'll come back so chief days of.

>> Rob Davis: Well as Deb mentioned we're in year 9 of budget cuts and part of the dilemma of the PD has been, when we sliced all the low-hanging fruit back in 02-03, 03-04, 04-05, in a more effective manner a lot of that stuff has sort of gone by the way side. So when you're talking about a 7.5% cut to the PD what you're looking at is 22.6 million. And there's really no low hang fruit. When you're looking at that kind of money you've really got to cut to the bone. The proposed cuts we have total roughly 140 sworn police positions, that would include 91 for patrol, 35 from the bureau of investigations, six from the bureau of investigations, it's a high number on patrol because basically we've tried to preserve patrol over the years. We've been cutting in our bureau of investigations, and some of the special operations teams over the years. We're to the point where if we're going to try to get that 22.6 there's no place else to go. To put that in some type of perspective one thing we've tried do also is say where

could we have more efficiencies. So when you're looking at the cuts to bureau of investigations we're actually proposing eliminating some of the units, for example the financial crimes units, the high text unit, we would realize some savings through administrative cuts, roll that back into the financial crimes unit and trying to deal with it as best we can with that unit. So this also includes just the rolling up of some services. Also to put it in a bit of perspective understand that less than 1400 officers which are cutting 140 that's more than 10%. Also as far as patrol cuts that would represent about let's see 74% of the patrol teams would be reduced by 20% of the personnel. And just to put that in context a significant number of the day teams and midnight teams are five-officer teams so if you cut one person from a team you've got a 20% reduction. So in general, it's not pretty. There's no way around it. It's -- you know we're looking at a variety of different ways to still try and take a look at efficiencies, look at maybe we change change the way we sunny officers on certain days, it would be a meet and confer issue but we're willing to do that should why shift our starting and ending times of beginning and ending of shifts, 22.6 so it's not pretty. To summarize it.

>> Kim Walesh: Thank you, chief. (inaudible).

>> Albert Balagso: Last Tuesday we brought forward the first proposal. Last Tuesday moratorium for the next year. I outlined what that looks like for us with the 16.6 million is what 35% amounts to. The equivalent of that is that would eliminate all of community centers or it could take most of our neighborhood maintenance out of the action as we have it today. So there are three categories that we have out there of services. It's recreation and community services, park maintenance within our citywide services which are things that support our gang, mayor's gang prevention task force, antigraffiti, aquatics, events and permits which equates to the downtown events that we do with the Christmas in the park. So those are the choices that we have to deal with and how do you slice that piece of the pie as we move forward? The -- also approved in this year's adopted budget was, one-time fixes that carried us through the year. That's what we do with the enhanced park maintenance for an additional mowing and other park maintenance functions which equates to about 36 FTEs that we're going to lose come July 1st. That adds on to what I've currently got on the table which is about 156 FTEs. And I need to qualify that when I get to then because there's a policy issue that I'd like to talk about. The areas that we focused on to try to preserve are looking at the safe -- services to provide a safe city with the youth and keeping them out of trouble. We've tried to preserve our co-maintenance services but all the enhanced services are what we're going to be looking at trimming back and significantly. The significant cut, targets towards reduction of our facilities which means looking at all the ones that we've built and starting to close those down and retracting back to a much smaller operation. And looking at the significant reduction into our specialized services and citywide that we can reduce without impacting the -- what we think are the critical services that we do with kids out there that partner with police department. The number that I tossed out there of 156 FTEs, I need to qualify that statement. We prepared those proposals with an assumption that we would utilize nonprofit funding as an option to offset cuts to the department. So that's looking at the funding that we do administer through PRNS either embedded through the General Fund or through grants. If I do not utilize that and I do have proposals prepared to leave that funding intact, then the number raises to 230 FTEs. So that coupled with the 36 FTEs that we eliminate, that we fixed one time, puts us close to 270. So I'm saying that because in order to move forward we need to look at some decision point whether or not we move in that direction as an option or we go specifically at the reduction of the core services that we operate today.

>> Kim Walesh: Thank you, Albert. (inaudible).

>> Hans Larsen: The Department of Transportation, as part of our 35% General Fund target, that totals around \$6 million for our department. And on top of that our traffic capital program is facing a 50% reduction of revenue due to the stagnant development activity. So with the combination of both of these we're looking at approximately 45 staff position cuts for both operating and capital. Over the past couple of years we've had what we consider several ugly budget cuts for transportation. We've eliminated all city funded support for street trees and sidewalks. There have been major reductions in median island landscaping and we've had to shut off 900 street lights because we couldn't afford the energy bill. For the up coming year the cuts look worse. On the table now we're looking to a 50% reduction in our neighborhood traffic calming program, we're proposing to shut off 60% of the are city's street lights. This is about 38,000 street lights that we're looking at in residential areas and industrial areas where the traffic speeds are less than 30 miles per hour. The lights we would keep on are those on our major street systems and in our commercial districts. The other budget reduction target we have is the further cut to pavement maintenance programs. We've had to target street lights and pavements just because we have very

few opportunities to look at. We're very concerned with the cutbacks in pavement maintenance because it's only going to cost us a lot more to recover from that. And as the council's probably well aware we're rated as one of the worst cities in the country for bumpy roads. We have a deferred transportation infrastructure backlog of 430 million, 250 million is for pavement and each year with the lack of investment, those numbers are growing. Just want to touch on a question that Sam asked at the last council meeting. We have done some polling in terms of the public's interest in investing in are transportation infrastructure. We did this in 2007. We found that 90% of the voters believe that funding transportation maintenance is important. 90% think it's important but when asked, do you want to tax yourselves, to provide more money, the number's quite a bit less. We polled for a \$100 annual parcel tax and we got 58% supporting that. Which is a healthy amount but it's not the two-thirds that we need. So that's where we sit right now. We think we're in a crisis. We need lot more investment. We would hope to go to user fees, to achieve that we need the political and community will to move in that direction.

>> Kim Walesh: (inaudible).

>> Darryl Von Raesfeld: Good morning. And to carry on with the bad news or the ugly decisions we've talked about, for the fire department we've had a 7.5% reduction which amounts to about \$10.5 million from 155 million operating budget. The interesting part is since we are a service delivery department, about 90% of our department goes towards salaries and benefits. So past reductions as the police chief shared with you have been really at the administrative level. We really haven't impacted a lot of the emergency service delivery. We did lose a hose wagon a couple of years ago but administrative services have gone from 18 personnel to ten. And it just can't absorb any more cuts so as we looked at the reductions for this year we looked at proposals to emergency services and our target to get to that some we are looking at a possibility of four engine companies to reduce, it costs about \$2.2 million per year to staff an engine company. We're looking at four engine companies, last year two companies up there 30 and 33 are the same ones as we look at our standards of cover to out of service to have the least impact on our service delivery so those are two that are on the chopping block. We're also looking at changes to our staffing of our hit unit. If you can remember back in 2003 we lost a couple of firefighters on the hit unit and they were funded through grant funding. We actually now have trained a lot more people into the special and tech level for hazardous incident response, reducing two firefighter positions there and gain some economies of scale with that. The last service delivery impacting emergency responses we're looking at some truck staffing changes. Autothere is an M OA four from the five that we have it still is complying with NFPA 1710 and some of the national standards out there and if we're not able to achieve that through a meet and confer process we woo being applying them to some of the service delivery areas where we've made the reductions at. It's a total of 73 sworn FTEs is what our reductions equate to just a little bit under 10% of the FTEs that we have. The service impacts that we look at, we have been fortunate since 2007 to have two more stations brought on board with additional staffing but we're looking at last year was the first time we met our 8% -- 80% reducing four companies automatically, there's just no way around it but we are looking at using a dynamic deployment strategy which is a -- there's in the CAD system and stuff we have what is called the move up module, we haven't implemented it yet due to staffing and resources that we need there but that helps us look at a real time and very soon, at a retime deployment so we can move companies up to stations and firms things a little bit better. It is a little bit better than brownouts. I'm not a fan of brownouts as many of you have heard, I was on a call yesterday just happened to be driving by and watched them perform they do a great job out there but these reductions are just an ugly proposal and it's going to be tough.

>> Kim Walesh: Thank to all of you. Again the point of all of that was to paint a broad brush of what we're needing to look at clearly if we're here but including if we're here. Jennifer.

>> Jennifer Maguire: Yeah and I just want to clarify just from the budget office's perspective just when the manager brings forward her budget on May 3rd -- look at --

>> Mayor Reed: You need to get closer to the microphone.

>> Jennifer Maguire: Yes, I'm sorry. These items here likely will not be able to be included in the manager's budget and very unclear on this one so this \$60 million really is looking like \$58 million. So -- or it's looking at -- or \$88 million. So it's 58 or 88, depending on how look at it. So I just wanted to clarify so there's no surprises on the May 3rd budget.

>> Kim Walesh: So at this point we can take any questions or comments.

>> Mayor Reed: Yeah, we had some questions when we went through this section, I know Pete and Pierluigi both had comments.

>> Councilmember Constant: The one question I had is for everybody who gave FTE reductions starting with the library were those new FTEs or also counting the ones from the one-time last year?

>> Jane Light: Those were additional FTEs. Right. So if you add the two together we're right at a one-third reduction.

>> Kim Walesh: That's an important question.

>> Councilmember Oliverio: For the purpose of the totality of the budget why not have the 7.4 million in there because easily people forget about it. So really our deficit is if you wanted to maintain what you're providing today is that plus, so I just throw that out there.

>> Jennifer Maguire: Just from standard budgeting conventions those did not have a funding source identified for 10-11. That's why we keep reminding are those are out of the base budget starting July 1. In my career we've never had -- maybe a couple but the list is there and we want to don't remind people about that.

>> Kim Walesh: Let's then let's go on to the last question which I think is a big question at this point. We'd like to get your feedback on, is should we look at revising this approach, at this point, and any sense of how we should go about presenting a budget at this level? I mean, we're just seeking your general input at this point on approach.

>> Councilmember Constant: I'll just reemphasize what I said in the beginning. I don't think we have any option but to revise these targets. Because we clearly, number 1, we know is not going to happen in time for this budget. It's just not going to happen. We have to -- we can't fool ourselves and keep thinking we're going to find \$30 million in new revenue. Number 2, we know we have to do and number 3 is a big question mark. And I think we seriously have to reconsider these targets and we have to be fair to our employees. They have to know what we're really looking at and if we tell them as we have we need \$30 million in concessions and things are going to be okay, it's not going to be okay. And I hate to have people come to this agreement and think it's hunky-dory and have to lose their jobs on top of it all. Scenarios, A, zero zero zero and 90 million. Which Pierluigi pointed out, 97 million or 8 million whatever have to continue to say how serious the gravity is, 35%, more than one-third of every single department. One out of three people will most likely be gone in four months. And that's just a harsh reality. And we can't keep putting the discussions off and we need to really see where we're at and we have to be brutally honest with ourselves and all the employees and the residents, 30-30-30 is not likely to happen.

>> Councilmember Liccardo: I'd concur with that sentiment. I don't think we have any chance of achieving 30% savings in categories 1 or 2 and frankly I'm skeptical of category 3 as well. Frankly I think we have to go there because the only alternative is an unconscionable cut to services to our employees in a private sector world routinely the people we see out there in the private sector are facing the reality of either losing their jobs or taking ten, 15% cuts in compensation, if they're even presented with that alternative, usually it's simply they're given the pink slip. I think the reality is we need to be going deeper into concessions. I think we all wish there were alternatives but I don't think there are. And unless there are magic revenue sources that suddenly emerge I think we need to rebalance this in a way that has us going to our own employees for teener cuts in order to avoid more substantial job losses. And I think we see the stark picture there, of a difference between 400 and 700 jobs lost and frankly in a very optimistic scenario in the 400 jobs lost, that's where we actually get the \$30 million in staff substantial number of those concessions, you know, we're counting on 18 million or more I think 18.5 million in concessions to come from groups that in fact have the right to arbitrate. And if we have no ability at all to get those concessions except by their willingness to give them up and clearly fire hasn't indicated that, they're going to arbitration in June, there's no way we're going to get that number before July 1st. So the reality is we have to go deeper.

>> Councilmember Chirco: I have to agree with Sam and Pete. I think we need to continue to ask for the concessions. Because every million dollars of wage concessions saves eight jobs. I think five is a minimum. Maybe seven. And I don't know -- I don't do the math and would I look to Jennifer to what -- you know, what level of concession do we save what? But I also think it's a disservice to our real quality staff not to be honest with them that the reality is there will be staff reductions but for every -- I don't know what a 1% would allow us to serve our community, preserve jobs. And I spoke to a friend that I had had for years and he was out of work for a number of years because he'd been laid off. And he said if I had been offered a 10%, 20%, 25% salary cut, I would have jumped at it in a heartbeat. Because I've been unemployed so long. And so, that's what I'm hearing in the community.

>> Councilmember Constant: If we could go back to that chart that had all the bargaining units on it for just a second, one of the things I'd like to ask the City Manager is, specifically on unit 99, and the unrepresented nonmanagement, is there any reason we're not being proactive there, and setting a clear definitive standard versus waiting to see what happens with all the other units?

>> City Manager Figone: Actually we're not waiting to see those conversations are underway at the senior team level so what I need the space though is to talk it through with them just as we need the space to talk through our -- with our bargaining units. But no, our managers are prepared to step up.

>> Jennifer Maguire: And I'd just like to clarify for every 1%, for compensation reductions, it's about 5.7 million in the General Fund.

>> Kim Walesh: This is difficult, sad, frustrating but let's just leave it as it is right now and let's go on and spend a few minutes about communication and outreach. Because that's clearly going to be really important the next couple of months with the community and with our employees and with our labor leaders. And then we'll have time for public comment at the end, so those of you that would like to speak at the end, you'll have opportunity for that. And if you can put the card, fill out the yellow card and bring it to the back if you would like to speak during public comment.

>> Mayor Reed: This slide shows the community outreach and engagement work that we've already done and also what's ahead of us starting back in November with the special session that we had and then December 17th with the workshop, we had with the community, did our telephone survey, on priorities which we've talked about some this morning already. You've heard about the pilot program prioritization effort and I just wanted to add that the general feeling from the neighborhood leaders was, this was a good tool. And I wanted to pass that on even though we're not quite sure how the tool's going to work and what we're going to do with it, the neighborhood people that came to this session thought it was helpful and would be useful in trying to make decisions. That was January 23rd. Yes, I will speak something about the budget, on Thursday morning at the state of the city speech. We have some hearings and some study sessions scheduled ahead of us in March and May. Ten study session total back to December public hearings, official public hearings, three total back, March, May and June. And then there was one more thing on there I wanted to mention. The budget outreach with council districts, trying to get that started earlier so we've had a meeting in every council district before May 1st. So we're trying to accelerate that and my staff will be working with your staff and budget staff to try to get those all scheduled and organized so we can get out and talk to the neighborhood people as well. And so that's the sort of community engagement outreach. There's other effort about engagement with our employees and union leadership and I'll let Deb talk about that.

>> City Manager Figone: Thank you, mayor. Yes, there's been many, many techniques, strategies? Approaches, so far frequent communication from the City Manager which has, I think, been embraced and appreciated, we try to use that technique in a way that it doesn't lose its impact so that the messages are very personal and targeted depending on what time we are in. Ongoing meetings with our labor leaders, I think we've done a good job of bringing in our labor leaders and monthly meetings and trying to stay ahead of the curb as much as is humanly possible so they know when major communication is going to be presented to the council and that we have some space to walk them through it and also entertain questions. We did a very good job of getting employee input on the ranking of the programs and we'll continue to seek employee input on budget reduction proposals. What I also think we need to be realistic about, you know, people raising their hands and say yes, you can take my job. So -- but I do think the department heads have done a good job of getting the input from our employees who do know

best how to do the work especially as they're considering efficiency improvements. And going forward you can expect that we will continue to use these approaches. Department left discussions about the impacts -- level discussions about the impact you heard this morning and more specificity about the next frontier and next goal. I believe on erring on the side of more information, even though I think it will keep our workforce in the state of flux for a long period of time with people not knowing. But I think from the human side of the equation, would I rather have employees know that their jobs could be at risk so they could do the appropriate life planning that they need do in order to prepare for transition, if it comes to pass. In that regard, we've had three key principles in our communication strategies. And I think that this would apply to the community as well as to our employees. First of all, people should be informed with the facts. They should have the best information that we can give them about what is going on, why it is going on so they can grapple with that reality themselves. There should be feedback to the degree possible and finally, people should know as much as possible as early as possible to prepare for transition. I would say that clearly applies to our employees, and another part of the dialogue that the departments are going to be having with employees will also be including human resources and beginning for that very difficult work of ensuring that bumping lists are correct and seniority information is available and human resources will need to respond to the proposals that are on the table once those start jelling. And just so that human side of the equation is very important for our employees. Also, though, in the community and I think that what we will see is more of an iterative approach as we go forward to help prepare for those transitions whether it be the closure of a library, the transition of a community center, programs leaving or moving to another facility. So transition and how we pave the way for transition is a very important part of our communication strategy.

>> Kim Walesh: Thank you Deb and Mayor Reed. Any communications on the outreach?

>> Councilmember Constant: First on communications Deb thanks for C Cking us on all the e-mails. It's very informative for us to see the messages that are going out and I think yours around as well as the ones from the airport are very detailed and give a very good context to the issues that we're facing. I know that now that we've had an opportunity to see what the real impact in FTEs is, I think that's going to be a really eye opening communication for employees to see the numbers of people. The one thing I just want to make sure that we keep in mind, as a council, as we go forward, is not every service is equal. And there's departments that really have a big impact on health and safety. And given the Public Safety, police and fire, we know that. But in some of the areas, in the building inspections and the code enforcement and the water pollution control plant, those health and saves issues, I don't think we can just put a blanket, you're subject to the same reductions as everywhere else in the city. We really have to be mindful of those health and safety issues that public safety that eknow are in the front of our mind but also in those other departments that provide those health and safety services that really can have a huge negative impact on the community from a health standpoint. So I just hope that we're really cautious in that area.

>> Kim Walesh: Any other comments including from senior staff? All been here this morning, I know this has been very trying on you also and thank you for all your good work and getting these materials ready for this presentation today. Any other comments anybody wants to make before we listen to the public comment? We have five cards. We'll go to public comment. The order that I have five people here, Christine Curtis followed by Tina Morrill, followed by Bob Brownstein, followed by Ross Signorino and then David Wall. Why don't you come here, you don't hold have to hold the microphone, I'll put it right here and you could take up to two minutes, please.

>> Thank you. I'm here as a concerned citizen in behalf of the Edenvale friends of the library. I'm hearing all the dire situation that the city is in. But I'd like for you to make a plea, for increasing library hours instead of decreasing for all the quality of life issues for the people of San José. First of all, doesn't make common sense to have all these gorgeous new physical plants and them have them shuttered half the time. So I would plead for you to think of new ways to utilize them. They're really your 21st century town hall spread throughout the city. My sister lives in Paris, I think of the Arrondissements, they all have their community centers but a way to keep them open the libraries are the embodiment of your own pace, diverse people, I diverse people from different communities use it it may be the only opportunity for people in San José to meet people of other cultures, people are trained in reading, English second language, you're in Silicon Valley, so it's a place for entrepreneurial development for all these reasons. It would be a shame not to utilize one of your greatest resources, one of the things that makes San José so wonderful. And I just wanted to take the opportunity on behalf of the library to remind you of the real need out there for all the residents to utilize the library system. Thank you.

>> Hi, my name is Tina Morrill. This is very short. I don't know about you but this meeting has made me horribly sick to my stomach. And I just wanted to share a few thoughts. As a resident, I am a library commissioner, I am president of our neighborhood association, I am the chair of friends of Ryland pool, I am a friend of Ryland park, I am a board member of PAC SJ and it is very, very time consuming. So the volunteer effort is huge. As a volunteer, and as a resident, it concerns me that we are responsible for all of this, and also, sidewalk maintenance and also street trees and also graffiti cleanup you know or reporting. You know so there's a lot of involvement. Now, I think as a direct we should get involved, however, I'm also very concerned about our city employees. I don't want them to lose their jobs. So I'm asking you the decision makers to please consider all sources of revenue. This includes the ten or \$11 million of tobacco money, the medical marijuana dispensary the money from that, please look at all sources and I really hope that the unions will consider deeper concessions, not because people don't deserve to have a livable wage. They do. But I don't want people to lose their jobs. So if it's that scenario they really need to balance it out. Thank you for your time.

>> Kim Walesh: Thank you, Tina. Bob Brownstein.

>> Bob Brownstein: Good morning. I just wanted to let everyone know that the community budget working group is working again, trying to come up with ideas that may be beneficial in terms of dealing with this very difficult set of budget challenges. One strategy that we're looking at is the use of pension obligation bonds which I believe city staff is also look at as a way to spread out the cost of pension obligations. We're also look at the possibility of bonding construction conveyance revenues. Binding C&C revenues doesn't require a two-thirds vote, it doesn't require probably any vote at all and it may have the potentiality of allowing the city to back out capital expenditures from the General Fund and release dollars from operating. We're also look at ways to spread the pressure for concessions to private vendors that work with the city. I just happened to have in my hand agreement after agreement by vendors to the city of Oakland, who have voluntarily accepted reductions in the amount of HR to the city. It wasn't an 18 month and they complied certainly not everybody and then last, we are looking at the possibility of using some federal stimulus funds, particularly the tanFF emergency funds to be able to pick up the cost of employees if the city is hiring anybody because even the worst times occasionally we do hire people and that may also be an option in temps of bringing people back after being laid off through a brief period with the federal government picking un80% of the wages. So we're trying to come up with everything we can and we're sharing information with city staff as we are developing things good enough that we think is worth look at.

>> Kim Walesh: Thank you, Bob. Ross.

>> Ross Signorino: Thank you very much, good morning. I must say as a resident of San José I'm glad that I came to this meeting to hear what is going on with the budget. Whether it's frightening or not it's still good to know. I don't like to be in the dark. Now I asked Nora Campos back there, I was going to bring up something and I asked her if it was profit and she said yes go ahead and bring it up. It's about speeding around schools, whatever schools they are, people speed. It's incredible. It's a wonder that cross guards don't get killed out there, they hold up their signs, they blow their whistles and I'm sure they close their eyes, and I would like to see tickets handed out there, police officers getting out there more and targeting certain schools and hand out tickets and with that extra funding this would go to the budget of the police force that maintained their budget maybe hire other policemen as well. Also at the same time, the subject came up, of the treatment plant, whether we should ask other cities who use our treatment plant whether we should raise the fees. Well, don't forget now not too long from now and I think is going to go through because it's on the ballot for June, I believe, that the 49ers are going to come to Santa Clara. Now, this will add an extra burden on our treatment plant. Now, whether this is going to cost us more or not, I think that factor, that cost should be looked at in order to run our treatment plant. Then the other thing is this. That the 49ers I think are going to come to Santa Clara. I wonder what are we thinking about here in San José to prepare ourselves here in San José to try to get that populace to come here to San José and possibly spend some money? Thank you.

>> Kim Walesh: Thank you very much, Ross. David Wall.

>> David Wall: First I want to bring forth my opposition to these phone surveys as a valid instrument. It's true that they're valid as far as whom they talk to but that leaves out the vast majority of people that would like a tax increase if properly presented. Properly presented in the sense that how you mark it, a tax increase, is a bundle of

services. What services at this percentage tax rate increase vs. this percentage increase for these services. This is a mandatory type of a ballot statement not something that's arbitrary. There's no none of the above, pick one and let the citizens choose. Furthermore it should be on both ballots, the June and the November ballot. This is not something that you take lightly laws you're looking at basically in my opinion a 50% reduction in services as far as employees go and perhaps an upper boundary of \$170 billion above budget deficit. Also among the tax increment, parcel tax business, it's time to quit having these parcel-k pay the same fee, in reference to these bundled service packages. Without this your revenue system is going to fail. On the employee side of it, it would be very wise for the employees to decertify all the unions completely and to come back as one bargaining unit. This will carry out a number of redundant systems. Also for the budget as far as the ballot measure is time to modify the city charter. The city charter is archaic in reference to the burgeoning power of the office of the City Manager. There's way too many redundant systems in here, and you haven't even differentiated that issue. Last lastly on public resource, get rid of the reclaimed water project. It has been a loser from the start, it continues to lose money, it will never be profitable probably in our lifetime but your own department head said 20 years.

>> Kim Walesh: Thank you very much for your --

>> David Wall: And there's no reduction in ESD, to the tune of five deputy directors.

>> Kim Walesh: I believe that concludes our public comment section. Mayor, would you adjourn the meeting?

>> Mayor Reed: I'm happy to. No council meeting, there's a flag raising, for those have you who want to attend, celebrating the new year. none of this has been much fun but it is the hard rock of reality that we're faced with and I want to thank our staff and our employees who have been engaged in this to try help us get through this really tough year so thank you all for coming, see you tomorrow.