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>> Mayor Reed: (gavel strike) Good afternoon. Liked to call the San José city council meeting to order for March 15th, 2011. We'll start our meeting with the invocation. I'd like to have Councilmember Liccardo introduce the invocator.

>> Councilmember Liccardo: Thank you mayor. We're pleased to have with us today Reverend Daryl Lavway. Daryl is the senior pastor at Grace Baptist Church, which I'll speak about in just a moment. Reverend Lavway moved here almost a year and a half ago with his wife Tatiana from Maine, where he was a pastor for over 40 years serving many churches. His education was originally in political science, but he found the light and chose a more mobile path and entered the Princeton seminary, and we're fortunate to have him with us today. He represents a wonderful church, Grace Baptist, which has been in existence almost 100 years in Downtown San José. They've been an incredibly important partner for us in the downtown. In the last 40 years they have been the home of a very collaborative effort between the city and the county known as Grace Community Center, a wonderful community center which serves for six days a week I think 120 mentally disabled residents in our downtown, every single day. Thousands of residents a year. As a safe haven, a drop-in center, they run a wonderful wellness program, an arts center for mentally disabled, is a very important program certainly for our city, and certainly for our whole community. So with no further ado, thank you for being here, Reverend Lavway.

>> Thank you. Let's be in the spirit of prayer. Almighty and everlasting God of a thousand names, we stand on holy ground today, ground made holy by your presence with us and by the work at hand. We pause in gratitude for each breath we draw. We stand on the edge of important discussions, deliberations and decisions. Might the men and the women of the city council, the mayor of this great city, and those who shoulder public trust engage in these responsibilities with wisdom, integrity, courage, and compassion. We ask that you keep these public servants mindful that the end result of their labor will be the decisions made by so few, that will profoundly affect hundreds of thousands of others. Remind them that they are the voices of those who have no voice. It is an awesome burden they bear. Strengthen them, we pray, for the task they have set their minds to. Enlighten them so that they might find the right path through the diverse stresses, pressures and competing claims upon the resources at hand. Grant us grace and mercy and good fortune on this day by all of your holy names, amen.

>> Mayor Reed: Thank you, reverend. We'll now have the pledge of allegiance. Joining us today are the Anderson elementary school third graders from District 1. They are going to help us with the pledge of allegiance. Please stand everybody. [ pledge of allegiance ]

>> Mayor Reed: Couple of comments before we get started on the business of the meeting. I just wanted to acknowledge on behalf of the entire city council and the entire city, our -- that our thoughts and prayers are with the Japanese people as they try -- struggle to recover from multiple disasters. I want to encourage our San José residents to make donations through Red Cross or other nonprofits that are providing disaster relief. And it should be a requirement to all of us that we need to prayer our own families to be able to survive for disaster for at least 72 hours, food, water and medicine. Take care of your family. Make sure you know what to do in a disaster. While we will not get a tsunami in San José, we certainly will get an earthquake. Other thing of note, you see the flags being flown at half staff in front of San José city hall. They are at half-staff in honor of Corporal Frank Buckles, who was the last surviving American veteran of World War I, who enrolled in the army at the age of 16. He was -- served in the Philippines as a civilian during World War II, was imprisoned for three and a half years after the Japanese invasion. He lived in the Bay Area after World War II for a while then moved to West Virginia, and he lived there until his death last month at the age of 110. The last veteran of World War I. We will now take up orders of the day. We have a couple of changes from the printed agenda. Item 2.12, a trip to Osaka for staff is being dropped. We need to make some additions to the Redevelopment Agency agenda. Approval of an adjustment to the fiscal year '10-11 revised capital budget, the downtown association project line and approval of actions related to capital equipment and assistance agreement with C8 Medisensors incorporated. Since these were late additions, trying to deal with things happening in Sacramento with redevelopment budgets, we need eight votes to approve those. We have a motion to approve all those, Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. So was there a reason why this wasn't noticed or went to Rules last week? Just --

>> Mayor Reed: Well --

>> Councilmember Campos: Or staff can answer that? Sorry but --

>> Mayor Reed: It is part of our effort to move projects ahead that we have been working on a long time before the state does whatever the state's going to do with our power to move projects. So these just weren't ready I think on Wednesday. The City Attorney --

>> City Attorney Doyle: Typically these projects there's plan to bring them forward at a certain point in time. Now given the fact that we're sort of going day by day, week by week and the thinking that the governor might have had something by this Thursday, that we wanted to make sure it got heard on the Tuesday calendar. Because the problem is, is once the state acts we may not have any ability to do anything.

>> Councilmember Campos: Okay, thank you.

>> Mayor Reed: On the motion we have a motion to approve the orders of the day with those changes. All in favor? Opposed, that is unanimous. We have eight we have nine votes, we got at least eight votes, so those will be considered when we get to those on the agenda. As noted in the orders of the day we well adjourn this meeting in memory of Arya Pathria, Known affectionately as Dr. Laugh, who was a long time San José resident and community activist. Councilmember Herrera will have Some additional comments.

>> Councilmember Herrera: Thank you, mayor. I'm honored to adjourn today's council meeting in honor of Arya V. Pathria. A dear friend, an San José resident, and community activist who passed away on November 24th surrounded by his family at the age of 67. Arya was born in Punjab India but has been a resident of San José since 1981 and is survived by his wife, two children, three grandchildren, very close relatives, and hundreds of friends. I want to thank Arya's family and friends who are here with us today I'd like to ask them to stand, Ron Krishna Murdey, Pikeh, his son-in-law, Manju Ramachandran, who is Arya's daughter, and Megan Ramachandran, granddaughter, and many friends. We thank them for being here today. I've had the pleasure of knowing Arya for 30 years. And to those who knew him best, Arya was known as Dr. Laugh. And those in the audience that are wearing those tee shirts do so in his honor. He's created that organization. Because he had the

cure to make anyone around him laugh. He was very much involved in laugh therapy. Which is a very significant therapy to help people improve their lives. He did this with inspirational laughter yoga and educational seminars. He was always reinforcing the positive effects that laughter had on one's health. Arya lived his life to the fullest and taught everybody around him to do the same without regrets. And when Arya laughed, everybody laughed. Arya's life forever will be defined by his loyalty to those who he loved and helped over the years, his passion to serve the community through laughter and community work. Scholarships to bright and financially challenged students in India to complete higher education. One particular story of the many I've heard since Arya's passing that I want to share with you that truly demonstrates Arya's commitment to educate intelligent and needy students is how he helped a young girl who was uneducated and being abused at home. Arya changed this young woman's life by spending his time teaching her how to read, write and speak English, and she went on to educate all of her younger siblings, and is now a teacher helping young girls from impoverished villages. Arya was also an active volunteer for the Indus Entrepreneurs Thai, to help foster entrepreneurship and nurture entrepreneurs. Arya was a true entrepreneur in both technology and in social work. He volunteered at the Chinmaya mission in San José. At the Gandhi Youth Camp promoting spirituality for happiness and peace to individuals from various backgrounds, sharing his rich Indian heritage from his childhood to other children. Arya also worked in the field of high tech Telecom for over 25 years. He helped change the way we communicate today, as he was involved when the development of the brick cell phone, fiberoptics, ISDN lines, and the first video phone. Most recently he was developing a way for people in the U.S. and India to learn Sanskrit using Skype and the internet. He also served as president of Toastmasters International and used his high tech experience to educate others to improve their communications skills. Arya used laughter yoga as a means to release the stresses of the high tech industry and to relax and enjoy life. He founded laugh away in 1998, where he organized hundreds of interactive laughter seminars throughout San José and all over the U.S. and in India to educate and demonstrate the benefits of laughter in our daily life to thousands of people over the years. He was collaborating with many neurosurgeons and physicians at Stanford and other hospitals in the Bay Area to publish a book on the healthy benefits of daily laughter. Dr. Laugh believed laughter was contagious and the best medicine around. Anyone who knew Arya knew when you were with him you just had to laugh. Arya's legacy for passion and service will be remembered in his accomplishments and considerations to the community and by those whose lives he personally touched. We will miss him. Thank you.

>> Mayor Reed: Thank you, Councilmember Herrera. Next item is the closed session report. City Attorney.

>> City Attorney Doyle: Mayor, council, the city council met in closed session pursuant to notice this morning. There's no report. Other than to note that there may be a need to go back into closed session, reconvene on the city-county agency item.

>> Mayor Reed: We'll take up the ceremonial items. I'd like to start by inviting Councilmember Pyle and Chancellor Claude Fletcher from valley Christian high school to join us at the podium. Is anybody else from valley Christian school? There's probably some students. Let's get the students down here as well. We want to commend valley Christian high school and its students for their achievement in putting the first student designed automated and self contained experiment on the international space station. This is a really big deal. Councilmember Pyle has a few more words.

>> Councilmember Pyle: Yes, mayor, this is a really big deal. I just saw this in one of our local papers and thought wow, this is worthy of a commendation for sure. Valley Christian High School has a history of encouraging academic excellence through in-depth, enriched curriculum and that prepares students for achievement and success. Recently, valley Christian school selected 24 of its students and you see a few of them here today to engage in a rigorous program of scientific experimentation with the goal of placing a science project on a JAKSA rocket. That's the Japanese equivalent of NASA that would intercept and attach to the international space station. After months of challenging work, the students sent the first student-designed, automated and self-contained experiment to the international space station to test how plants grow in near-zero gravity. The students designed and manufactured all aspects of the experiment, including writing software programs, constructing circuitry and designing an irrigation system to nourish the plants near-zero gravity. And here to receive the commendation, please raise your hand as I say your name. Is chancellor Claude Fletcher, just an acknowledgment. Veronica Lane, Ross McTeer, Mason Ivy, and Karen Lu. Councilmember Kalra was unfortunately unable to be here today as he is in Washington, D.C. Oh his behalf, I would like to express

congratulations to the students of valley Christian school for a job well done. Mayor, would you present the commendation. [applause]

>> Mayor Reed: Now, Councilmember Pyle will stay down here with -- and be joined by Councilmember Chu and Liccardo. And J Minon of IBM to join me add the podium. Come on down. As we're commending IBM in recognition of 100 years of innovation and contributions to the City of San José and Silicon Valley. Most people don't realize how long IBM has been a presence in the valley. It's great to celebrate the history.

>> Councilmember Chu: Thank you, mayor and councilmembers in joining me to commend IBM Corporation. It's really a point for me as a former IBMer, it is really an honor to present no commendation to IBM in recognition of their century of innovation and technical break throughs and valuable contribution to our community. IBM actually was found -- the name was registered as IBM, stand for international business machine, to many of the IBMers, IBM actually stands for I've been moved. Because I remember during the years that I work at IBM, they really like to move you around to different plant site, to get further education, as Jay will put it. But -- so this is -- I think the name was registered in 1924. But the company has been around long before that. In 1911, and after the company received a government contract, to tabulate the 1910 census data, they changed -- they changed their name to computer tabulation recording corporation. And before that, I just learned that they also manufacturing clocks and meat grinders. But IBM has played a very important role in shipping -- in shaping the future, and ensuring the economic vitality of the business community in Silicon Valley. IBM opened its doors in San José factory in 1943, I believe that's in Sam's district, on Almaden road. By providing a competitive push to helped build a solid middle and upper middle class by creating thousands of jobs for our community. IBM truly helped mold Silicon Valley into the world's innovation center. IBM has a culture of community service, of being a good corporate citizen. IBM has contributed time, talent and energy over many decades to strengthening San José community in reaching its diverse culture and enhance economic prosperity and improve the quality of life for our residents. This year makes the 100th anniversary of IBM in the United States. IBM has become the largest inspiration and innovation among technical businesses, and has emerged from a century of challenges and continued to be the leading innovator in Silicon Valley. Today to accept this commendation on behalf of IBM is Jennifer Hernandez, manager for corporate citizens and corporate affairs, and Jay Manon who is an IBM fellow and CTO and VP of technical

strategy. Allow me a minute to explain what IBM fellow is. IBM fellow the highest title that IBM granted to people with exceptional technical achievement. So with that, can I ask the mayor to present the commendation to Jay. Thank you. [applause]

>> Thank you, Mayor Reed and Councilmember Chu. I'm really delighted to be here on behalf of IBM to accept this recognition. You know, IBM has been here in the valley for a very long time, long before it was known as Silicon Valley. You know, it's here that we invented the disk drive that's used in all computers today. It's here that we invented relational database technology. It's here that we developed the BART fare collection system, I don't know that many of you knew that, all innovations that have changed society significantly. In California, IBM has a billion dollar payroll. In Silicon Valley we're the seventh largest company. We generate about 500 patents every year, new patents every year. It's also home to one of IBM's premier research labs where scientists work on projects like the Watson computer which many of you may have seen on TV when it challenged world champion Ken Jennings to a game of jeopardy. I'm sure some of you saw that. But I have to tell you, IBM's contributions are much more than about our innovations and our patents. IBMers are number 1 in volunteerism. We have donated, IBMers have donated 11 million hours to community service over the last five years. That's number 1 of all companies. And this year we're asking all our employees to volunteer eight hours of service with a goal to donate 38,000 hours of community service right here in Silicon Valley. This being our 100th year. As you say we're a company that's consistently aimed to make not just a profit but a difference. And we're very proud to receive this recognition. Thank you very much. [applause]

>> Mayor Reed: Next I'd like to invite Peter Ross, a returned peace corps volunteer to join me add the podium. Peter killed bring your family and friends down with you. Today we recognize the month of March 2011 as peace corps month in the City of San José in honor of the organization's 50th anniversary. Friends, family and peace corps volunteers, as a matter of fact. Probably everybody's heard of the peace corps but not everybody has served. But California has had more peace corps volunteers than anywhere else in the country and we're home to one of the largest communities of returned peace corps veterans in the country. We have four of them behind us here. So we're very proud of the service that is represented by our peace corps volunteers. San José State University is the 28th -- ranks 28th in the country for the number of alums who have served since 1961. So

we have over 8,000 peace corps volunteers are serving around the world today and that's the highest number in 40 years so their program is alive and well. We're very proud of San José's connection. With that I want to present this proclamation to our volunteers. [applause]

>> I want to thank the mayor and the council for declaring March peace corps month. On March 1, 1961, president Kennedy instituted the peace corps act. And the first volunteers went overseas the following summer. Three of the four of us here actually served in the peace corps in the '60s. One in Malaysia, one in Nigeria, one in Micronesia and I served in India. I want to mention, three of the four of us have been residents since the 1980s and we vote. I want to also mention that Congressman Mike Honda himself was a peace corps volunteer in El Salvador, 65 to 67. And he's said that's a very influential part of his life. Became fluent in Spanish and had a passion for teaching and that led to a lifetime of service. I think that's it. Should I introduce the names of the people? Okay. Yeah, so you know I'm Peter Ross, I served in India. Cat Hung here served in Micronesia. Sharon Alexander served in Malaysia, and Penny Gage served in Nigeria. Thank you. [applause]

>> Mayor Reed: Now I'd like to invite Councilmember Liccardo and Washington Camina Contigo, to join me at the podium. We're going to present a commendation to Washington Camina Contigo for empowering parents to unite and make the Guadalupe-Washington neighborhood a safe and beautiful place to live. Councilmember Liccardo has the details.

>> Councilmember Liccardo: So we are asking all those who are fashionably adorned in these bright green jackets to come down and join us and pretty soon everyone's going to want to wear one as soon as they hear this. We're here of course to commend Washington Camina Contigo. And the person who has become, I guess, the City Hall photographer, is principal Maria Evans, has been very involved in this effort from the very beginning, as well as her -- as a counselor over at Washington School, Mary Lou Hernandez, and Ruth Coweto, on our team, has worked incredibly hard on this effort, along with Art Nino. But it's the people behind me that we're commending. Garalino Salas, Rosio Malagon, Myrna Martinez, Arsedia Ramirez, Eva Maron, Maria Marcello, Teresa Guillan, Laurine Murphy, Maria Villalobos, her husband Juan couldn't be here today, although we certainly want to honor him, Myrna Lopez, Elizabeth Vasquez, and Emalina Soto. These wonderful parents decided

something needed to be done in their community at a time when we were seeing an awful lot of violence particularly in the Washington neighborhood, gang activities happening after school. And Washington school is an increasingly high achieving school of predominantly grammar school kids. Obviously everyone felt the concern to protect. The parents got together as they do every week at the Madre   madre sessions that Maria Marsello leads and decided they needed to do something themselves in a time of declining city resources, and so they formed a walking group. And the parents got out there, as they do every day in the mornings and in the afternoons, to walk around the neighborhood, particularly when their children are going to and from school, to keep more eyes out there on the street, to report street lights that are broken, they organize anti-graffiti efforts, litter pickup efforts. Day after day they are out there doing everything they can to make their community a better place. Because many of them are Spanish speakers, I just wanted to say one more last bit in Spanish [ In Spanish ] Washington [ Spanish ] Gracia A Todos. Mayor would you please present the commendation. [ In Spanish ]

>> My name is Nina Martinez. Like Councilmember Liccardo said, we are here we're a group of parents and we want to make our community more safe. We want to thank you for recognizing our efforts and supporting our efforts and we hope more schools join this club. Thank you. [applause]

>> Mayor Reed: Our next item is our consent calendar. I have no requests from the public to speak on the consent calendar. Any matters the council would like to pull for discussion? We have a motion to approve the consent calendar. All in favor? Opposed, none opposed, that's approved. Now convene the joint city council-San Jos  financing authority board. We'll let our staff have a advance to get in place before we start talking about the bond financing for the convention center project. Among other things. City Manager, I think will start.

>> City Manager Figone: Thank you, Mr. Mayor, members of the council. It was really my pleasure today to have staff recommend to the council that you take actions for authorization of bond financing for the convention center expansion and renovation. As you all know it's been a long road with various people playing many, many different and important roles to get us to today. This project is important for the city, and will give us a competitive advantage over other convention and business meeting destinations once it's been completed. It truly exemplifies a public-private partnership as the San Jos  hotel community is generating the funding necessary to move this

project forward. I wanted the council to know how seriously I'm taking this project by introducing what I would refer to as our A team and so I'd like to do that before turning it over to staff for the presentation. First of all is Ed Shikada. Ed, as you may know, oversaw public works for the City of Long Beach and has overseen a majority of the city's projects under our decade of investment. Ed will provide oversight to the expansion project for the City Manager's office. Julia Cooper and Arn Andrews of our finance department have been work around the clock for a finance structure that is here before you today. Julia and Arn will make sure the bonds are priced right and sold to ensure that this project gets the \$120 million in funds necessary to complete the project. And I would also like to acknowledge the very important partners that they've had on the financing which have been Patty Degnan and Danielle Kenealey of the City Attorney's Office. Then there's Lee Wilcox, whose downtown manager lead will continue to provide this city's contract oversight of our operator, Team San José, and ensure that the operating funding and spending levels are kept in check. Then there's Dave Sykes and Harry Freitas. Our Public Works Department, led by acting director Dave Sykes, one of the best Public Works department in the world I think I can safely say. Harry Freitas, who oversaw the airport expansion under the direction of former Public Works director Katy Allen, will oversee all aspects of this project and will work closely with Hunt Populous on the construction and function as construction manager. And then there's our own Bill Sherry, our aviation director, who will serve as project executive for the city. We're very fortunate that Bill will act as the city's owner's representative on the project in partnership with Public Works, in design, construction, cost management and schedule as he did with the recent and very successful completion of the \$1.3 billion airport terminal area modernization project which was delivered on time and under budget. As our owners representative and project executive Bill will ensure that the long term fiscal and physical sustainability of the convention center as a city asset. And he will act as a project advocate for the city, the facility operator, and our hoteliers during this very important construction period. So this is our A team. I'm very proud of them. And with that I'll turn it over to Ed Shikada to begin staff's presentation.

>> Ed Shikada: Thank you, City Manager, mayor and members of council, it is my pleasure to present this project to you and to just basically kick off the discussion of the financing. Recognizing that the focus today is on the financing for the project I would like to provide a brief context for the action noting that this has been a long project, certainly a long time coming. This -- next slide please -- this action today, oops, one back. Thanks. The action today is the final discretionary action required to break ground on the convention center renovation and

expansion project. It as the City Manager noted is remarkable for a number of reasons, not the least of which is the team that she introduced. Also the delivery method being used here is design-build, which has been used successfully at the airport. And finally, and certainly not least, is the financing for the project. Truly exemplifying public-private partnership in all facets, ranging not only with the financing of the project itself, but also our operations on the convention center. So with our presentation this afternoon I'll briefly cover the plan of finance and the particulars on how the bond structure will work. As well as cover the responsibilities that are part of our bond documents issuance. Next slide please. So in order to provide a brief overview of the project let me hit a few numbers related to the expansion and renovation. It will add approximately 125,000 square feet to the existing facility. It will enhance our ability to handle multiple events and attract very important overnight events as well as visitors and will add flexible ballroom as well as meeting space to the convention center. In terms of the importance of the convention center to our local economy, a few more numbers recapping prior studies on the project. Estimated 600 construction jobs and 200 ongoing jobs created by the project. \$12.6 million annual direct spending related to the facility once opened and a direct benefit to the General Fund in excess of a quarter million dollars annually. On the facility itself you see a few statistics here. Couple of things that are perhaps as critical to note as the physical and the statistics related to our economic impact is really the financing of the facility and noting that the financing plan will provide a long term investment and participation of the home community through the CCFD that you'll hear more about in ongoing capital replacement in order to keep the facility fresh for decades into the future. So with that, let me turn it over to Julia Cooper.

>> Good afternoon. Mayor and members of the council. The CCFD was just to kind of go back in history, and some time. In August of 2008, San José adopted an ordinance to expand the Mello-Roos powers and to levy a special tax based on hotel rentals. And then you approved the formation of the CCFD in January of 2009. The approval of the special tax by the hotel property owners was held through an election with 78% of the hotel rooms -- they voted based on the number of rooms, so there was a 78% affirmative vote. And the special tax was levied beginning in July of 2009. We had a validation proceeding and the Supreme Court issued a judgment that the formation of the CCFD was valid and affirming an issuance of bonds. Which brings you to today, a year later, ops finance the project. Then in terms of looking at the financing plan, key objectives, the City's one of the primary objectives was to secure \$120 million in bond proceeds to build the expansion and renovation project, to leverage

hotel tax revenues with sufficient coverage to secure an A rating and to use the General Fund as credit enhancement to deliver special project funds without any undue risk to the General Fund and to develop a conservative financing plan to help accommodate the variable revenue source with the T.O.T. varying a lot during economic times. What's before you today is to -- authorizes to issue \$137 million in bonds in two series. The first being of approximately \$106 million in special hotel tax bonds which would be secured by the taxes collected within the CCFD and then approximately \$31 million in lease revenue bonds which would be secured by lease payments made by the City's General Fund only after deducting left over or subordinate hotel taxes that are available in the CCFD. In terms of the City's ratings we have been working very closely with the rating agencies and we were successful in meeting one of our primary objectives. We have secured an A minus rating from S&P and an A-2 rating from Moody's and on the lease revenue side the ratings are double A plus in Moody's and double A plus from S&P. We have also received a credit assessment from Fitch, and they have rated the hotel tax bonds an A minus and the lease revenue bonds a double A minus. So we're very happy in terms of proceeding with that. Also in the supplemental memo we outlined the parameters for authorization for the issuance of bonds. And that outlines the maximum interest rate we have authorization to sell the bonds. You may be thinking, oh, you heard some news relative to the market turmoil that's happened as a result of the unfortunate events in Japan. Fortunately for us, the muni market has not been impacted by those things that are happening in like the stock market. So we continue to remain positive that our interest rates will come in at a rate that meets the objectives of the financing. Terms of the next slide, one of the key security features for this financing is multiple revenue sources. We have the base special tax of 4% which as I mentioned been levied since July of 2009. We have a blinker tax that can go on when certain parameters are reached in terms of insufficient revenue and that's at an additional 1%. And then also we have 1.5% of additional T.O.T. that the council can elect to appropriate if certain other triggers are met. We've also established a revenue stabilization reserve which helps serve as what we like to call the shock absorber, for the cyclical revenue stream. That's to help protect the General Fund in the event that revenue's insufficient to pay the subordinate bonds. We have strong initial debt service coverage at about 150 times coverage on the hotel tax bonds, and then we also are funding a debt service reserve fund for each series of bonds. Now, this graphic illustration I'm just -- it's been a little bit of time on since I think it helps kind of illustrate how the financing economics work. First, in terms of looking at the financing we put together, we used some very conservative forecasting assumptions. We assumed no increase in hotel rooms, actual hotel

rooms to project the CCFD revenue. And for T.O.T. revenues we assumed only founder rooms every five years. Additionally we assumed that there was a cyclical nature to the T.O.T. and the CCFD revenues which is basically five years of growth followed by two years of decline and one year of flat. So that's what you see in that yellow line is essentially repeating it out for the 35 years that the bonds will be outstanding. Also, we assumed a very conservative growth rate in terms of revenue at 1.8% or 1.7% annually. So with taking all those assumptions into place, we have the cyclical revenue stream, and the yellow lines represents both the total of the base tax that would be collected, the 4%, the 1% blinker that's available if it's necessary, and then the additional 1.5% T.O.T. So the rating agencies looked at all of those available revenues as sources to repay the bond. Then the red line is what the debt service is. So in 2011, there's no debt service, because we haven't issued the bonds yet. Then it ramps up a bit to be level debt service. Then the blue bars are actually the receipt of the base tax, the 4% CCFD. And then the yellow represents the withdraws from the revenue stabilization fund. So essentially as you see the decline in revenues through a cyclical nature, you see the draws from the rate stabilization fund to help make the payments on the debt service. The trigger for when you turn the blinker tax on is when the rate stabilization fund reaches 75% of the maximum amount that we set it at. And the maximum amount we set it at will approximate one year's worth of debt service. To the extent it drops below 75% then that year on July 1 the blinker tax will come into play, and the CCFD will be collecting 5% from hotel occupants. The blinker tax stays on as long as the rate stabilization fund is below 100% funding. It's after the end of the first year, heading into the second year, if the rate stabilization fund is not at the 75% level, then the administration asks the city council to appropriate the 1.5% T.O.T. to the project so we can get the rate stabilization fund back up to the minimum 75% level. As soon as it reaches the minimum 75% level, a subsequent action can happen to reallocate the 1.5% back to other purposes that the council should desire. So as you can see from this graph, based on interest rates that we're assuming today, we don't anticipate that the T.O.T, additional T.O.T. would ever need to be levied and that the blinker tax would go on essentially twice during the 35 years of the bonds. Once for four years, consecutive four years and then again for two years ago. Now while these are all assumptions and we can't look into the future we believe we have put together a financing structure that is very conservative. Additionally we did some stress-testing in terms of looking at what would happen if we took significant revenue declines that stayed in place for elongated periods of time. In those cases the T.O.T. might need to go on and be allocated to the project for an extended period of time, in no point did we ever see a situation where we thought the General Fund would need

to step up and make that service payment. So in terms of the actions and the next steps, we're recommending today that council approve the financing. We hope to have a bond sale in late March, closing in early April and then we're 24 months into the construction period. So with that I'm going to shift gears a little bit and talk about the importance of disclosure relative to elected officials. As you may recall in terms of when we're issuing the bonds we are speaking to the market and the issuers of municipal securities have an obligation to ensure that the financial information contained in their disclosure documents is not materially misleading, and the proper disclosure allows investors to understand and evaluate the financial health of the municipality in which they invest. The importance of disclosure is to avoid violations of 17A of the securities act which prohibits making untrue statements of term fact, omitting to state a material fact or -- in the offer or sale of securities and the fact is material if there's substantial likelihood that the disclosure would be considered significant by a reasonable investor. But just means that if you look at it, would an investor have made a different decision if that information had been known to them. The responsibilities for elected officials in the actual document review process is to review the primary disclosure documents were included in part of the packet today, and what is the purpose of the bond issue, looking at the sources of repayment for the bonds, which I described earlier to you, the risk that those sources of repayment may be insufficient to repay the bonds, we talked about that, and the discussion of any other events that affect the deliberation of a reasonable investor. After reviewing those documents additional elements that the elected officials should consider is have the identified risk and events been brought to the attention of staff, bond counsel and other professionals, and have such risks and events been disclosed, and if not, what is the rationale for nondisclosure. So in looking at the official statement, and there is two of them, one for the hotel tax bonds and one for the lease revenue bonds, they describe the purpose of the bonds and the source of repayment. And the more detailed information and discussion on the risk related to the repayment of the bonds is included in the security and sources for the risk, provisions affecting city revenues and appropriations. Appendix A describes the city's current financial provision and provides information to investors. Elected officials are not expected to be fact-checkers, that's the responsibility of staff. The appendix A is a living and breathing document. We have already made changes to that document, most of them relating to incorporating the five year forecast, including some information about the Mayor's Budget Message, a section has been added with the litigation with the county and we also included recent information on the fire agreement. So you know, the councilmembers' responsibility if you have any personal knowledge of any of the material

information in the official statement is false or misleading, that you need to raise those issues prior to the approval of the distribution of the document. In conclusion, the recommendations before you today are to approve the issuance of the special hotel tax bonds, approve the issuance of the City of San José financing authority lease revenue bonds, and then we also have some actions pertaining to the city -- the City of San José financing authority's lease revenue commercial paper program, which involves releasing some assets related -- that we are going to pledge to the convention center project on an interim basis, and adding the police substation into the commercial paper program. So with that, I'm open for questions.

>> Mayor Reed: Is there more of the staff presentation?

>> No, that's it.

>> Mayor Reed: This is it so time for council questions. First, the City Attorney.

>> City Attorney Doyle: I just wanted to note, for the record, in your packet, and Julia alluded to it, are the draft preliminary official statements as well as what we call Appendix A. These documentation have been on line, been there for review but I want to note that we're planning to go to print on Friday I'm told and if there's any comments that councilmembers might have upon further review please get them to us.

>> Mayor Reed: Thank you. I'd like to disclose that in preparation for this meeting, that I met with a lot of people. Because I'm thinking about how long it's been in preparation for this meeting. I'm not sure I can remember all the people I've met with because I think I started on this convention center expansion project in about 2002.

>> That would be about right.

>> Mayor Reed: So it's been a long time getting here. But for this specific meeting, of course, I've had meetings with Team San José, their staff members and board members, hotel representatives, decorators, convention and event planners, and lots of people who have an interest in the success of our convention center. And this has

been a long, difficult project to bring to this point. So I want to congratulate our City Manager for the great work done by her staff to figure this out, because it has not been easy. Our finance staff as well as office of economic development, Public Works, Redevelopment Agency staff have all played a key role in first, getting a project that was buildable, and second, getting a project that we can finance. Of course, Team San José says new CEO Bill Sherry, the board and staff are to be commended for their involvement in this, but most of the thanks really goes to our hoteliers. Because they're the ones who are putting up the money. Without the money, we wouldn't have a project, that's for sure. The 4% tax that they voted to impose on themselves is the reason we're able to do this. And it is kind of interesting, there is some risk here for the City of San José, even though the hotel is -- you are putting up a 4% tax, a blinker tax, and then the 1.5%. There is nevertheless some risk for the General Fund. I just want to talk about that for a minute. Because when you look at how the money's going to spent and think about what happens if we do nothing, if we can't make this happen, we have \$26 million of systems work, heating air conditioning fire alarm systems, all kinds of systems for the building that are necessary for the building to operate. And the only source of funds for this if we don't do this deal is the General Fund. We also have \$20 million of items that have been euphemistically called cosmetic. It's a lot worse than cost metic. This is time for basically a face lift, much more than cosmetic. And again the only source of funds for that is the General Fund if we're able to ABC am of I less than the chance we take by doing nothing. Whether those systems go out next week or a week month from now or two months or two years no from now, I think the risk that the General Fund is taking to make this happen is reasonable. Additionally there is no maintenance fund. All you have to do is go look at the HP pavilion, wander around there. Think about how that looks, and then go to our convention center, think about how that looks. We need a maintenance fund. And the difference in the buildings is striking, because we've had a maintenance fund at the HP pavilion. This will allow us to set one up over time, and that's a really big, important thing for the General Fund, as well. And then finally, it's just great to have a \$120 million private sector investment from the hoteliers going into our building. The construction jobs, as well as the ongoing jobs that will be generated in our hotels and other place that depend on convention business are really important to the city.

So I'm prepared to take the risk, I think it's a risk worth taking, for all the reasons I've mentioned. And I know that we're not there yet, we've still got to sell the bonds, but it is looking pretty good with the ratings we've just received. So I want to thank the staff for getting us this far, and then we'll keep our fingers crossed until we get the bonds issue and we can get started. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just had a couple of questions, I'd like to ask about really, has to do with some of the language that's used about the security on the lease revenue bonds, both what I saw on the screen and in the report at page 7. As I understand it, we're really expecting the CCFD 4% revenue to cover assuming all goes well, to cover both the -- both the hotel bonds as well as the lease-revenue bonds, is that correct?

>> Yes, that's correct, councilmember.

>> Councilmember Liccardo: But when we say that the lease revenue bonds are secured by the City's General Fund appropriations, is there actually a facility lease amount that's contemplated that the City's going to be paying?

>> No.

>> Councilmember Liccardo: Or is this just assuming that all goes poorly that there will be some lease payment? Good that's correct. The first-the first grab will be the hotel tax revenues that flow through what we call the water fall. After they've paid the hotel tax bonds then they fall through to pay the General Fund lease piece, to the extent that they're not sufficient there, then we go to the rate stabilization fund and we take the money there. To the extent it's not available there, then the 1% kicks in. And to the extent all that stuff is not working, and that there's no money left in the rate stabilization fund, then we go back to the General Fund.

>> Councilmember Liccardo: Then we go to the General Fund. Okay, got it, thank you. I got a little hung up on the language. I just wanted to make sure I understood it right, thank you. And then, when we looked at the debt service coverage chart that you put up a minute ago, Julia, with the projections, it's a bar graph with a --

>> Yes.

>> Councilmember Liccardo: I just want to understand you say we're making an assumption here on the interest rate. And is this rate higher than what we see suggestion on the chart on pain 7? Are we seeing a continued increase in the yield curve?

>> No. The chart on page 7 where interest rates were on February 1st. They've actually backed down a little bit from that.

>> Councilmember Liccardo: Great.

>> So that's why the chart that looks like that in the staff report has the use of the T.O.T. in it for one year. We've updated this to reflect more current interest rates so we're thinking things are -- they're going to at the end of February.

>> Councilmember Liccardo: Okay, great news. What is the assumption on this chart that we're looking at here?

>> It's all in about a 6.1% on the lease revenue and a 6.9 on the hotel tax.

>> Councilmember Liccardo: And you feel pretty confident about being able to hit -- come under those numbers?

>> Arn Andrews: Sorry, as you can tell, we felt compelled to put a section in the report about volatility of the market. So we run multiple scenarios often. Currently, the way it's modeling we're looking at roughly a 6.9% on the T.O.T. and a 6.1% on the General Fund. And that's factoring in a 25 basis point buffer. And so in all our scenarios, including the one in your packet and including the one displayed before you today, they all include 25 basis point buffers. But to Julia's earlier point, since that February 1st kind of high water mark, we've seen some backup in rates which have been favorable to our financing, and they continue to stay there.

>> Councilmember Liccardo: That's all very encouraging, and I know that we can never predict accurately any time we're issuing bonds, there's a leap of faith involved. We want to make sure the risks we are taking are

calculated. As we look at some of the instability that's out there now in the world, and I think it's pretty obvious we've got a calamity in Japan. I know there was a lot of concern about a real estate bubble in China that sank the equities markets for a couple days, and obviously rising gas prices and the impact that's going to have on travel. I know we're seeing a shrinkage again of airlines. I guess I'm wondering exactly when the trigger is pulled on this. We're expecting to go to the market on the 24th, is that right?

>> Probably the last week in March, and so -- and these are fixed-rate bonds, so once we sell them, the rate's fixed until maturity.

>> Councilmember Liccardo: Right, and so -- which I appreciate very much, believe me. The question I really have is, do we have much flexibility to be able to time the market if it looks like we've got enormous volatility for a few days and we need to wait it out?

>> Yes, we can -- if there's specific metrics that are happening in the market that make us uncomfortable, that we don't think are systemic that are likely to continue for multiple weeks then we can -- we can delay the financing and we can go day-to-day on it.

>> Councilmember Liccardo: Okay, great, that's all very reassuring. I'd be happy to make a motion to approve.

>> Councilmember Herrera: Second.

>> Mayor Reed: We have a motion to approve. Let me just verify, looking at the agenda. And we have a whole bunch of recommendations and actions, so do we need to take -- I think we are going to take some of these separately. Because we have a variety of issues. So what can we take in the first group?

>> City Attorney Doyle: I think you can take everything, but I'd recommend, though, as Councilmember Pyle is having to recuse herself on items 2A4 and B2, and other than that, I think you can take it all.

>> Mayor Reed: Okay. Let's pull those out of the motion, and we'll deal with those separately, is that okay with the maker of the motion?

>> Councilmember Liccardo: Sure, I'd be happy to do that.

>> Mayor Reed: Then we'll come back to those. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I've had the chance to meet with Bill Sherry and finance staff. I want to thank you very much for your time. That was a significant amount of time you spent answering my questions for me to get up to speed on this question. Some of my questions you've already answered, so really a lot of them are really for me to ask a couple of small ones, I guess, the major ones have already been addressed. But one of the issues that I did bring up is, using slide number 7 here that's already up, is my initial reaction to this would be that out of the 35 years, 14 of those were below the projected debt service level. But you explained to me a little bit of your conservative forecast and now the blinker tax and the reserve work in that, and so I feel a lot better about that. The mayor has also spoken to the issue of the investment and the asset that this is to the City of San José so I think this is an extremely valuable project. I'd like to thank also the private sector for stepping up and investing in this project, again, the mayor spoke to us already, without this we wouldn't be looking at this project. So this is fantastic. I want to thank everybody for the work on this. I'll be supporting the motion so thank you. I'm sorry, one more question. Timing, and I asked you about this, and really, kind of wanted to vet that out one more time here. Given what's happening I guess with the agency, and our General Fund, exposure was discussed. The other issue for me is, Team San José, and where we're at on that effort. And timing for me in terms of really knowing what both of those mean would -- we're looking at July. But you explained a little bit as to why, going forward with it now is important. And I agree with that but given I only had you to speak to in the immediately is there anyone else that can really help me feel a little bit better about that timing issue? Because there's a little -- there's a few unknowns for me still on that front.

>> I think the answer to your question, you have questions related around the RFP for new operations for the convention center?

>> Councilmember Rocha: Well, moving ahead with an investment like this do we really have a sense of what we want out of the convention center? Not knowing what Team San José and the future of that, really has -- does that model support this model or does this model support that? Not really how those compliment each other, I know the basic model is we need a new and improved convention center. I get that. Explained to me how we go forward not knowing what that is.

>> Absolutely.

>> Councilmember Rocha: Thank you.

>> One of the directions staff has right now is to prepare a work plan for the Rules Committee surrounding the requests for proposal, the development of that to be issued by June. Staff will be coming forward with that in the next few weeks to Rules asking for that time line to be extended to December. Part of our work our front that we would like to do is work with the consultant, best practices for around the world for convention center management to see what management models are successful, we deem successful. For expansion project Team San José, the hoteliers and the city worked very closely with the consultant to look at convention centers not management but facilities as a whole, and for us to achieve the best market analysis possible. So moving forward, we feel that the square footage will achieve, the design will achieve the market niche that we've been missing for the last 10 to 15 years. So staff feels comfortable moving forward with the actual project as a whole realizing that we can push back some of these decisions and look for more answers related to management and our cultural facilities in the future.

>> And the other thing to point out is that the project is solely based on the revenue coming from hotel room occupancy and the operations and who operates the convention center is not part of the credit analysis at all.

>> Councilmember Rocha: Thank you very much.

>> Mayor Reed: Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you. I absolutely agree with the mayor. If we're taking risks whether we're going to move forward with this or not I'd like to take the risk and realize two years from now we're going to have a fully renovated convention center that has the capacity to do things and attract other kind of businesses that other cities around the world are attracting. To give Bill Sherry an opportunity to shine here is that I've been asked a lot I guess from the business community in terms of what are we trying to do or what are we going to continue to do in terms of continue to attract business, continue to make sure that the convention center operates and operates in a very positive way while we're undergoing the remodeling stage.

>> Bill Sherry: Thank you, councilmember, Bill Sherry, aviation director, and soon to be the CEO of Team San José. From my perspective, I see a lot of stars coming into alignment here. I think there's a lot of very exciting things that are occurring. Back to the question in terms of the timing of this project. I think the essential question that has to be asked is, do we want to be in the convention center business? And I think we all conclude that we do. The jobs and the sales tax and the hotel tax that's generated is huge. And this city relies heavily upon that. So given that, I think it's critically important that we move ahead with this project, because the facility is in sore need of renovation and expansion. Insofar as the marketing, I think we want to send a message to the world that we're open for business. We're going to have a wonderful, exciting new convention center. But even while we're under construction, we're going to ensure that this facility is open for business so that conventioners and meeting planners can come here and have a very, very pleasant stay even though we're under construction. We did that at the airport and I certainly want to achieve that here. It is my delight to be able to work with the talented team that we've assembled here. I've had the opportunity to work with Dave and Harry and the whole Public Works team at the airport. I'm very proud to be hooking back up with them and reassociated myself with them for this project. I'm also looking forward to working with all the hotels to really market this facility as a destination site. And I'm also looking very much towards working with the city council, and the city administrative staff, to bring the alignment of Team San José and the city back into a true partnership. So I think all of those things put together, there's some very exciting times ahead for the city.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. This is a really exciting project. I'm glad to see this day when we're getting ready to actually do the financing. The jobs are absolutely essential. We still have a huge unemployment rate here in San José. Not only the ongoing jobs but the construction jobs because last I heard it was 30% unemployment in construction and I don't see that many cranes operating in Downtown San José. I'm very excited about that from an economic perspective. Also Bill I wanted to see if you could comment on any synergy you could see from the airport and the convention center. I think that having both of these kind of flagship product offerings to present to our business community is going to really help us bring in conventions and have people travel out of San José airport.

>> Bill Sherry: Thank you councilmember, and I should have touched on that earlier. I think there's a lot of untapped synergies between the two operations. We have the nation's most modern technologically advanced airport now. We are soon to have the nation's most modern renovated convention center. When you stop and think about it, both facilities market, so pulling our efforts and trying to market together in a consorted way makes a lot of sense. But both operations, both enterprise are in facility maintenance. Both have administration staffs, both have I.T. departments, both have all of the various different things in terms of operating and so forth. So I think there's a lot of opportunity to try to draw those together. Obviously, I know the airport side of it. I don't know the convention side, as well. So I think in the first few months of my getting involved with Team San José. That's going to be a high priority for me to learn where those synergies are and where we can both best leverage those synergies.

>> Councilmember Herrera: Thank you.

>> Mayor Reed: This is also a public hearing on this matter. I don't know if we have any cards to people to speak. If we have any cards to speak, please come on down. Do we have one card? Come on down. Bill Leninger. Bob Leninger. Forgot about the clerical --

>> That's as fast as I walked down those stairs since hi my back operation. Getting better. You've congratulated the business community, the hotel, the staff, you've got a great project here I add my congratulations but I'm here to congratulate the city council for your actions here. I was -- the mayor mentions 2002 I was the project manager on the first construction project on the expansion, fought some battles to get this project moving along a few years ago. But you've got a -- in difficult times you're putting that investment hat on, you're taking a calculated risk, staff has articulated well the benefits that you're looking forward to. And I think the benefits you're going to have for the downtown, the city, and for the high tech is going to be pretty spectacular. So I thank you guys for your decision here and your risk taking and you really deserve congratulations.

>> Mayor Reed: Hi one comment on the appendix. Before we finish up here. I did read it. And I'm curious if staff thinks we ought to make some modifications on the comments about pensions and the ever-increasing cost of retirement benefits. They're mentioned in the appendix in a couple of places. And when I read through the first section, I flagged it, because I thought we could be a little more thorough on this. When I read it the second time, and it was okay. I'm just curious if you're comfortable with that, because I know that what we're looking at in our forecast and my budget message is not the worst case scenario. And that the costs for pensions, while we're looking at them going up by hundreds of millions of dollars, already, that's not the worst case scenario. You made reference to the budget message. And it's called out pretty clearly in there. But I don't want anybody out there to be thinking that we're out of the woods on pension costs. And I don't know what I would add to that. But I don't know if staff had any thoughts about how to just make it clear that the numbers we're working on, the projections we're working on, the work that we're doing is not the worst case scenario. I don't know that we don't deal with worst case scenario and best case scenario, we try to do what's right. But that's one area that I thought we could do something different.

>> Arn Andrews: Thank you, mayor, Arn Andrews, treasury division manager, and in full disclosure, employee representative on the Federated retirement board. I am one of the authors that helped craft the pension section with help from our Retirement Services Department. They've been very helpful in this effort in conjunction with the city attorney's office and multiple other partners throughout the city. The pension section was a section that I understand before I got here was probably somewhere in the vicinity of about five to seven pages. It is now

roughly 30 pages and almost half the entire appendix A. And to your point, in the last couple of years we've felt the need to try and give a little bit more of a horizon than we used to in the past. We used to do a lot of historic reporting. So in the pension section we've actually included some new tables this time and we've tried to lay all the tables in the beginning part of the pension section so it is kind of an iterative process of going through not only the UAAL but ending up in where we think in terms of market value of assets and then we finally close now 27Z a new table which actually lays out the five year forecast which is a new table this time for us. And so we're trying to give that sense of what may be. In addition we've also added some changes to an additional table which talks about the fact that you know the boards create these actuarial assumed rates of return. And then the boards also employ investment advisors that based on the asset allocation mix they think the plans will earn X. And I think we've laid out the fact that you know there's still a little bit of a disconnect and to the extent that that disconnect remains the obligations you're talking about will continue to grow. But we're open to any advice. As I said we're only at 30 pages. We're more than happy to facilitate more and I think to your credit it's a very important topic in the city and one that should be the area of focus that it is in this document.

>> Mayor Reed: I'm thinking about the presentation we had on February 14th, at our budget workshop with senior staff, and Russell Crosby went through some of the six or seven assumptions that might get changed over the next couple of years. And it seems like all the changes would be an increase in what we have to pay, and none of them are really expected to decrease what we have to pay. And so the five year forecast and the projections are likely to get worse. And I just want -- don't want people who read this think okay, that's it, and --

>> And absolutely, as a disclosure document that is one of our primary concerns, the message that we're providing to the investor community and so we have tried to do some forward-looking projections and we do reference in narrative that you know to the extent that any assumption changes continue to change, they'll have effects. I believe we actually referenced the February 14th presentation and we can go ahead and if that hasn't happened, make sure it does happen.

>> Mayor Reed: Okay, well the numbers that we're projecting are startling enough but knowing it's not the worst case scenario, it's just something that I think investors ought to have, if you look at that with that in mind, I don't know exactly what to say.

>> Arn Andrews: No, and we'll go back to council and address your point and see where they're appropriate in the document.

>> Mayor Reed: Okay, thank you. Councilmember Liccardo.

>> Councilmember Liccardo: Thanks mayor. Just on that point because I know it's come up before when we've looked at bond documents. I appreciate the additional detail you've begin. As I look at page 53 table 26B do the math there you come one about \$2 billion and the liability in the pension side we believe is the case, but the prior page, page 52, I don't know if there's difference between accrual and market value accounting or what but you do the math on the UAAL in chart table 25, you'd come up with an unfunded liability of about \$1.4 billion.

>> Arn Andrews: Thank you and that is the difference between actuarial and market value. That is the distinct between those two tables.

>> Councilmember Liccardo: All right, great. We can say we're at least disclosing the market value. When we look at page 54, table 26C apparently we don't have any number available for the UAAL on the health unfunded liability on Police and Fire but I'm assuming we expect that number to be somewhere close to a billion is that right?

>> Arn Andrews: I believe that's correct but I'd have to check. I know we are waiting for the new actuarial valuation to be voted on by the Police and Fire board.

>> Councilmember Liccardo: I see okay. That number is so much different than the last number reported there by about 300 million. If it's accepted practice to throw an asterisk in there saying we believe it is going to go up

that would be helpful. I just don't want to deal with what I think a lot of cities are going to be dealing with when folks come back with lawsuits.

>> Arn Andrews: Around that's an issue that we can also bring to the attention of counsel and decide how to address it in the document.

>> Councilmember Liccardo: Great, I appreciate that. Since it was brought up and Bill had a chance to speak, I just want to say my confidence in going forward here is really buoyed by the new management and the new leadership we have on the board. I'm grateful that Bill is willing to step in and Chuck Teniskedder and all the folks on the board who are willing to take on this challenge. We know it's a considerable challenge considering the economic environment we've got but obviously, there's great potential here as well. And I'm hoping that in the coming months we'll be looking for ways in which really to focus the energies of Team San José on running convention centers. And if that means that food and beverage isn't something that's run internally, are that folks that do that better than we do that, if the theaters are run better by other folks, that we really focus on running the best convention center we possibly can. I feel that that's going to be the path for us to really enable this to take off. Thanks.

>> Mayor Reed: Any other questions or comments? We have a motion on the floor, let me just restate it. It's all of the staff recommendations with the exception of items A and 4 -- 2A4 and 2B2 that deal with commercial paper programs, pull those out and deal with those separately. That's the motion on the floor. Is there any further discussion on the motion? Awful? Opposed? None opposed, that's approved. Okay we still have item 2A 4 and 2B 2 to deal with. We need a motion on those. Motion is to approve those. Any further discussion? All in favor? Opposed, none opposed, one abstention, Councilmember Pyle abstaining. I don't think there's any open forum for this part of our meeting on the public financing authority, we had the public comments so we're done with the financing authority agenda. Taking us back to item 3.1, I believe, report of the City Manager.

>> City Manager Figone: Do I not have a report today mayor, thank you.

>> Mayor Reed: Then our next item is 3.3, a statement of policy and city council questions related to the selection of a new director of Department of Transportation. We have a motion to approve. Seconded by Councilmember Herrera. All in favor? I'm sorry, Councilmember Liccardo wanted to speak before we took the vote.

>> Councilmember Liccardo: Just ask that the maker of the motion would include one additional question.

>> Mayor Reed: Certainly.

>> Councilmember Liccardo: And that is that given our very ambitious goals for mode share shift in our general plan that is in moving people out of four wheel vehicles onto two or walking or on to transit, how will we push forward policies that will make that -- those mode-share goals a reality?

>> Councilmember Nguyen: That's fine, we can include that.

>> Mayor Reed: Okay, that additional being section is agreeable to the maker of the motion and the seconder. All in favor, opposed, none opposed, that's approved. Next item is 4.1, the annual progress report on the housing element.

>> City Manager Figone: No presentation, mayor. Staff is here for questions.

>> Mayor Reed: Thank you. Well I want to thank the system for another good report and just take note of the fact that if the governor's recommendation is approved by the legislature, and it appears to be set up for votes tomorrow in both the assembly and the senate, that will be the end of our ability to fund affordable housing after doing over 20,000 units built and rehabilitated in the city. So staff has done a great work, and things are certainly slowing down because of the economy and the lack of funding. But we hope that we'll be able to convince the governor and the legislature not to take the housing funds or the redevelopment funds, but that does not look very good. San José has certainly been a leader in the generation of affordable housing. I remember a conversation I

had with former governor Schwarzenegger a little over a year ago when he was talking about taking redevelopment funding he says well there's all this money just laying around, because agencies hadn't spent their affordable housing dollars. That unfortunately was true but not in San José. We have no money just laying around, we didn't then and we don't now because our staff has done a great job of building affordable housing. So good report, next year's report I'm sure won't be quite so good if the governor's proposal is approved so we're hoping they'll vote it down tomorrow in the assembly and the senate, both. Not likely to happen but we'll keep hope alive. Councilmember Liccardo.

>> Councilmember Liccardo: Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you. And thank you staff for the report. I echo the mayor's comments. I just want to this opportunity to talk about the issue of homelessness. Recently we've seen a surge in the level of homeless encampments, particularly in the Communications Hill area. And it's generating a lot of publicity, becoming really interesting in these issues, so I was -- I read on page 2 of the report, it talks about how the housing department is collaborating with the public and the private and the nonprofit partners to address this issue. I was wondering if you could talk a little bit about some of the ongoing efforts so that people who are watching this particular issue now can understand what we're trying to do and what we're trying to accomplish because obviously with the bad economy and people moving in and out of homes and there's really a limited number of temporary shelters we have more homeless individuals in these different encampments and so we've been working -- my office has been working with the county practically going out there every day but the issues there it causes a ripple effect because now we have garbage problems we have litter problems we have graffiti all things happening because of the homeless issue.

>> Leslye Corsiglia: Thank you, Vice Mayor Leslye Corsiglia director of housing. We recognize that the issue of homelessness along our -- or encampments along our creeks is a long standing problem and really the way that we can address this is with housing. Because we've been successful at cleaning up areas and moving the homeless out, but they come right back. Because they don't have what they need which is the shelter. So we've -- we are taking some steps in that regard. We do have a new program that we've been working on with

Councilmember Liccardo. And with the downtown streets team and a number of partners, destination home is helping to lead that effort as well where we're going to do a pilot program in parts -- in some of the creek in the downtown area, I think it encompasses part of district 3 and part of district 7 over in the happy hollow area and then we'll hope to be able to move that throughout the city. But for now, what our intent is to clean up these areas, move people out and into a permanent housing situation, and also help them get jobs as well as part of that through the downtown streets team. Big effort. I think what the mayor just said about what the threat is to redevelopment and our ability to continue to provide permanent housing opportunities will harm that effort as well as the other efforts to house lower income households.

>> Mayor Reed: Thank you. Any other questions for Leslye before she sits down? I have to cards from the public on this matter. I think there's a motion to approve. We got that. Get it City Clerk? There is a motion to approve now? Councilmember Liccardo. I'd just like to add that there is good news and that is in the private sector housing market, the work of our jobs and revenue generation team that made it possible for Irvine and Essex to pull permits right at the end of the year, 1600 permits, for 1600 units of apartments and couple thousand more on the way. Because that's going to be it. There's not going to be much in the waive affordable housing production so this private sector production is really important to us. So congratulations to having some good news. On the motion, all in favor? Opposed, none opposed, that's approved. Our next item would be 9.1. The mayor's March budget message for fiscal year 11-12. Let me just open that up since it's my budget message and explain what it is I'm trying to do. First this is time to review and discuss the message and get some public comments, we will also take comments this evening starting at 7:00 p.m. So anybody who is not able to join us this afternoon will come in and testify this evening if they wish. And then, there will be no action on the budget message today. That is scheduled a week from today, March 22nd on the afternoon agenda. One of the things that I'm Fleming this budget in addition to having to solve the \$105 million gap for next fiscal year and a loss of couple hundred positions due to the \$23 million of work that is being funded with one-time dollars is an effort to have the manager bring back to us recommendations on how to solve what is a much bigger problem. And that is, the shortfall out over the next five years. Because we're looking at a cumulative problem of \$216 million just to keep the services at the level that they are today, in the City of San José. So basically what I'm proposing is we draw the line in the sand. We know that next year, we're going to have to reduce services. Across the city in many ways. Because the

problem is too large to do any other way. But we ought not to accept that. And that we ought to claw our way back over the next few years so that we can maintain the level of services that we have in the city today. And that will require a lot of things to be done in the way of fiscal year reforms. But it is possible. I've outlined in the budget message a way to do that. But a lot of work needs to be done to bring the details back to the council for approval. And that's what I'm recommending. We draw that line in the sand and say we've cut and cut and cut for ten years. We can't accept it. We don't have enough police officers, we don't have enough firefighters, we've got libraries that are closed, community centers that are closed and we just don't accept that. But it will require some tough decisions by the council, some of which are already underway. I'd like to acknowledge the fact that our firefighters have agreed to a 10% reduction in total compensation. That will be on the council agenda for next week. We have proposals from other bargaining units for substantial reductions in total compensation. So that's part of what we need to do. But even if we get a 10% reduction in total compensation from everybody this year that's only \$38 million and we have much bigger problem than that. So we appreciate the concessions from our firefighters and the other unions that are working with us to try to solve the problem. But we know that next year, even if we get \$38 million in concessions, we still have a problem in the neighborhood of \$100 million that we have to solve. So service reductions are unavoidable. But I have proposed some fiscal reform guiding principles that I'm recommending the council approve that will put us on the path to restore our services, restore the police force, keep our fire stations open, maintain our streets and keep our libraries and community centers open. There's a series of things that we can do. We can't do them all in one year. But we have to get started on them and some of them we can do this year and should. There are some other things in the budget message that I'm recommending we continue to fund. One of them is the children's health initiative. And I've been supporting the children's health initiative since I came on the council ten years ago. It's an important program, very important, and I am recommending that we fund it, even though we don't have enough money for firefighters, police officers, community centers and libraries. Are it's important and I think we need to continue to do that. The senior nutrition program is one I'm recommending we find funding in collaboration with the county to be able to allow that program to survive, maybe not as good as it was but to survive. And crossing guards. When I meet with the 19 superintendents of the school districts, and talk to them about what it is that we can do to help them, the number one thing is to maintain the crossing guards. They've looked at alternatives and they're willing to consider alternatives but fundamentally they need the crossing guards to keep their kids safe coming to school and their

kids of course are our kids. The other thing I'm recommending is that we do what we did last year with the concessions that are achieved, that we commit to keeping concessions from firefighters to support the fire department, concessions from police officers to support the police department, and that the non-sworn concessions are used to support the jobs in the non-sworn areas. Once again, that will be difficult. Because every area is taken a pretty big hit in this budget. But I have outlined some things in the way of concessions that could solve some of those problems. There are ways that the bargaining units could help maintain jobs, and I'm hoping that will take the opportunity to do that before it's too late, and we run past this year's budget and have to lay people off. Again, this is a two-part hearing. So we'll hear from anybody who wants to speak to us today. We'll have council discussion this afternoon, and then this evening, we will come back and get any additional testimony that the public wishes to bring on this topic, and then we'll vote again in a week. One more thing to mention is the prioritization exercise that we did on the 14th. Identified the top priorities. I'm not recommending that we stop working on everything, just to acknowledge that we do have some things that are seen as more important than others. But I am also going to be recommending that we come back in August, relook at the priorities, in a manner that basically just involves the council when we look at those priorities when we have to make decisions of things that we're not going to work on, that really should be a councilmember decision. So with that, I would open it up for any questions, and discussion. I'll have some cards, I have some from the public, I'll take those whenever the council is done with its questions. So seeing no questions at the moment I'll take some public testimony. Please come on down when I call your name. Kathleen King. April Lucier. Fold by mark roughing and David Brody.

>> My name is Kathleen King and I'm from the Santa Clara family health foundation and we would like to thank the mayor and the council. This would be the 10th year of supporting the children's health initiative and it is very clear without the support of the San José city we would have had to disenroll children. So if I can just thank you, and just remind you of some statistics. At the beginning of the children's health initiative I think one of the strongest programs ever developed in this county, one of every eight children in this county did not have health coverage. We have reached almost 96 to 97% of our children covered in this county. We have one of the highest amounts of children covered of any county in the United States. With 450,000 children in this county, we are almost as universal health care. And we think that's very important to continue in this county. So we really appreciate it. Many people don't know but 32% of workers in this county make less than \$15 an hour. If both

parents work full time they make less than \$64,000 a year. Not enough to meet all their needs. So these are the working poor getting this coverage. For every child in healthy kids there are 14 children on state and federal programs, bringing an additional \$160 million into this county. So we appreciate your support. We think it's an excellent program and we gladly -- we're very glad you agree with us. Thank you.

>> Mayor Reed: April Lucier.

>> Good afternoon. I'm reverend April Lucier. I stand here for all the parents and children of PACt in this community that are deeply deeply concerned that we were going to have children without health care if this was not included. So we really are deep deep gratitude, that the children will not have to worry about being able to get to school in pain, that they will have services they need. And we greatly appreciate your support for the children's health initiative. Thank you.

>> Mayor Reed: Mark roughing, David Brody and Angelica Cortez.

>> Good afternoon. My name is mark roughing. I am an inspector in the housing department and I'm also a District 3 resident and taxpayer. And I want to let you know that I do agree that our financial situation is dire. We do all need to pitch in to help resolve it. City workers are already stepping up to do this. And just as you've mentioned, Mr. Mayor, even if everybody does pitch in, we don't get the whole budget problem resolved. There are other solutions. I believe, I think we need to be more creative with our thinking and looking at our opportunities. We have assets that are available that we're not really looking at creatively. Such as the old City Hall on first and Mission Street. It remains vacant after five years. And one of the thoughts would be, if we were to move some of the city staff back to that location, we could open up space here for other folks to come in and lease space here. And that would generate income. And that's the one thing that I don't see in your budget proposal. I don't see ideas or leadership for how to generate more income so we can get those services back out into the communities, services such as libraries, community centers, code enforcement, housing, all those elements, it's critical that we keep that in place. We do want to work with you. We are already doing that. And just as you ask each of my co-workers and myself to make sacrifices, we're also asking you to make sacrifices and

make the tough choices. Some these might not be comfortable. I realize we've spent a lot of time and money building this facility. This isn't the only idea. There are other ideas. Naming rights, for example. So again, I urge you to take more of a leadership approach, look for other income to generate, to put the services back in the neighborhoods.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: David Brody and Angelica Cortez.

>> Good afternoon. I'm the chief operating officer of first five Santa Clara County, and I just want to briefly commend the mayor and the council for inclusion of the CFI in the budget message. We recognize that these are incredibly difficult budgetary times, and this decision could not have been easy. We face similar budget challenges at First Five and we are planning to continue our support for the CHI program as well. So we stand with you and we commend you for this action. On a personal note I'd also like to say that I'm a neighborhood resident, the president of my local neighborhood association so I intimately understand how challenging these decisions are. And these choices that we have to make. And as a resident of San José, I support this decision fully. Thank you.

>> Mayor Reed: Angelica Cortez.

>> Good afternoon, Angelica Cortez, the Silicon Valley council of nonprofits. I would just like to say that the SVCN is pleased with the mayor's commitment to community centers and children's health initiative, the continuation of meals at the hubs, and the support for the HNVF competitive pot. Today we'd like to especially talk about senior nutrition, but first off would like to thank Councilmember Constant, I don't know where he is, for his leadership with senior nutrition --

>> Mayor Reed: He is in Washington, D.C. along with Councilmember Kalra.

>> Okay, well, thank him for his leadership with senior nutrition. Councilmember Constant did a wonderful job in bringing together the CBOs, the city and the county for a systems redesign for senior nutrition. The task force recommended a plan for CBOs to provide senior nutrition services in the following manner. One option is for CBOs to cook and serve at each hub, and the other option is cooking at four hub and delivering meals to the additional hubs. In our community meeting with CBOs they told us that we hope the city council will direct staff to begin work on an RFI for senior nutrition. We're requesting that city begin planning now for the system's redesign and release an RFI that contains cost recovery and the same number of meals served. If we are to see a system redesign and cost savings to occur by occur by July 1st, we need an RFI beginning now. Thank you very much.

>> Mayor Reed: That's all the cards I have. Public testimony on this. Any comments or questions from councilmembers? Seeing none, we will take this up at 7:00 p.m. with additional testimony for people who wish to come in the evening. With that we will move to convene the joint city Redevelopment Agency meeting. We have a minute to switch some staff around. First item of business on the agency agenda would be the consent calendar. Any items council would like to pull off the consent calendar for discussion? We have a motion to approve the consent calendar. All in favor? Opposed, none opposed, that's approved. 3.1, report of the executive director. Harry Mavrogenes.

>> Harry Mavrogenes: Mr. Mayor, members of the board I think you already reported earlier, that it looks like the senate and the assembly are going to be meeting tomorrow to vote on the governor's proposed budget. So we'll be watching that carefully tomorrow. As a result of that it may impact our ability to have future action items so this is an important meeting today. That's all I have for now.

>> Mayor Reed: 3.2, approval of adjustment to the fiscal 2010-11 revised operating budget, operating personnel services line.

>> Harry Mavrogenes: Mr. Mayor, members of the board, this is not a very pleasant item to bring up. But owing to the potential that the State will eliminate redevelopment agencies statewide, we have to make a budget adjustment that accommodates the -- both the PTO and our current policy for giving some severance to employees. Our employees, you recall, are not civil service. They do not have any bumping rights or other benefits. And we have a policy of a two-week severance for every year they've worked. Now, this budget adjustment assumes that everybody would stay till the last day. That's the maximum number. I've already announced to my staff that we will be doing layoffs, significant layoff in April, the first week in April, our payroll monthly is about \$900,000, so working back from that I believe that we could easily save \$1.2 million-plus from this number, and we would endeavor to do that. I recommend your approval so we can take care of staff who has been working loyally here throughout the years and has done a lot for this agency and this city, in terms of finding resources and making things happen in the city.

>> Mayor Reed: We have a motion to approve. Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to say, I know many of us are feeling as we think about voting on something like this, particularly in the downtown where I've been the beneficiary of so many extraordinary work from so many great Redevelopment Agency employees and too many to name at this time. Even as we're facing these very stark realities of an agency that may be shut down by the state, there are redevelopment agency employees right now that are doing extraordinary things in the neighborhoods, in the industrial areas, in downtown, and a couple come to mind. Right now in terms of a trail that's being developed, a combination of volunteer effort and Paul Perera is out there managing to persuade just about everybody in the community to donate or give something to enable this trail to go forward. And just extraordinary efforts. And so I'm obviously very sad to be thinking about this kind of decision, knowing that in many ways it's being thrust upon us. And I'm certainly hopeful that given the caliber of people we have in the agency, first I'm hopeful that this is not going to be a necessary action to carry out. But I'm very hopeful that the extraordinary talent that we see in the agency will eventually come back to the city hopefully sooner rather than later. Because there really is -- there's no team like the folks at the agency.

>> Mayor Reed: I certainly want to echo your comments. Councilmember Liccardo. And I do want to share with you something that is really ironic and that is the comment that I got from the speaker of the assembly, John Perez, when we were in Sacramento talking about redevelopment with the big ten mayors, trying to protect and preserve redevelopment. He told me that San José has the best Redevelopment Agency in the state. And I know if all the other redevelopment agencies in the state had done as good a job of carrying out the mission as we had that we wouldn't be having this conversation with Sacramento. Unfortunately there are over 400 agencies and not all of them have a great record like ours in so many areas. Like I mentioned earlier, the affordable housing, but the rebuilding of downtown, the creating of jobs, and investing in our community in ways to eliminate lots and lots of blight over the years. So the irony of it is that we may be the best. I guess we're going to go into retirement at the top. But we'll wait and see what the vote is tomorrow. But we need to take these actions to be prepared. In order to carry out the work that has to be done. Anyone else on this? We have a motion to approve the budget adjustment. All in favor. Opposed, none opposed, that's approved. Item 3.3 is approval of adjustment to the fiscal 20s 10-11 revised capital budgets the downtown association project line. We have a motion to approve. I'm going to support the motion. Downtown association's done great work with the agency for many years, and this is a huge reduction in their overall budget but times are tough. And we're doing what we can. Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. Just like to ask Harry, what's the impact of losing that \$220,000 from the biocenter area?

>> Harry Mavrogenes: I don't believe the money -- I think we're just taking the money out of the capital reserve. I think initially there was a proposal to take it from there, but we chose instead to just take it from unallocated reserves. So it won't impact the biocenter.

>> Councilmember Chu: Okay. How will we be spending the \$250,000? I heard that we'll be showing some movies in the St. James park. And for some other -- some other programs. But I'm -- just like to know, if you have a little -- provide me a little breakdown of how we would be spending that \$250,000. And what does the future hold for the downtown association after tomorrow's or Thursday's vote in the Capitol Hill, in Sacramento?

>> Harry Mavrogenes: I'll try to answer some of the questions with Scott Knies the executive director is here also. I think just overall councilmember the association's role is going to be even more are critical if agencies go out of existence. Because they will truly be the only organization to look out for the downtown, to work with the business community. The funding source we provide is only a portion of their funding. They receive a lot of other funding. They've created the BID which is the business improvement district which has provided a tremendous improvement in the look of downtown. The scope of this agreement includes marketing for the dine downtown even, the movie screenings, the promotion of the various areas in the downtown, the farmers market which they do beautifully, music in the park, the downtown ice rink and many other public-space programs. And it is a significant reduction from their prior funding. But again I think they understand the circumstances. So we highly recommend that you move ahead with them and help us insist them in keeping the downtown alive and looking clean and as alive as it has today. It hasn't looked better than it has in the last year or two in the efforts that this association is making. I don't know if Scott wants to add any comments.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just on the -- in the staff report under analysis, the fiscal 2010-2011 approved budget is \$495,000. So is this an increase to that, or is it actually achieve the full 495?

>> Harry Mavrogenes: This is for the next year. What you're looking for is 20 ten-11.

>> Councilmember Campos: Next year. Okay.

>> Harry Mavrogenes: Since today is the last day we might be able to take action like this obviously we're moving it ahead for that.

>> Councilmember Campos: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just wanted to offer one more perspective, maybe that certainly staff report briefly summarizes, but there's a larger vision here which is, we desperately need organizations that are out there that are able to leverage private dollars to accomplish things that are quite civic in impact. And very public. So when we have organizations like the downtown association, they're able to create bids and P-bids that employ lots of folks who are engaged in doing critical tasks and efforts to keep our downtown clean and you see the flowers and all the efforts at inspiring artwork through downtown doors leveraging an enormous A downtown energy, private investment that we simply would not have if we didn't have a downtown organization out there hustling with outside in the private community. And I think also you know as we look at the cities that are facing such severe budgetary realities today, throughout the country, there are downtowns in major cities in this country that are in a death spiral. And frankly there's not a lot they can do about it because the cities aren't there to help. And so we desperately need business organizations like the downtown association to be there to help support the downtown through this tough time. Because after all, cities are overwhelmingly judged by their downtowns. Companies are thinking where to move. When people are thinking about where they want to live, it is really critically important for us for the city and for the future and for the present that we have partners like this. I'm really enthusiastic about supporting this going forward.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you. Notwithstanding some of the comments in terms of the importance of this association which I don't dispute at all. I'm trying to reconcile the pecking order I guess in terms of the importance of these dollars going forward and the potential liability and exposure we may have on our General Fund which funds police and fire. community centers, libraries, parks, et cetera, et cetera et cetera which are the core services. So if you wouldn't mind helping me reconcile this expenditure, prioritizing this over all the other potential work, whether it's on the city side, that we may have to cover, or even on the agency side, and the good work that's done in the MBDs or the SNIs.

>> Harry Mavrogenes: Well I think in looking at the situation we face right now, I don't really see a whole lot of other things being proposed for the next year to compete with this. Certainly, if the proposal goes through with the governor, our staffing costs, all that evaporates. So this is a fairly minor part, again all the other services are very important. But again, in terms of the downtown, if leverage we get with this money is astounding considering the other funding that goes in and how the private sector has stepped up and is also helping fund this organization with their activities. So I think this is -- this is like giving the city the extra hand that you need to get things done. And I think it reflects well on how the downtown looks. The downtown will be more successful, as it looks clean, as it's active, and this organization keeps it going. So I think it's very important that this -- I would rank it as one of the highest important things in terms of leverage and bang for the buck.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I just wanted to add. You know I mentioned a lot of cleaning, beautification and so forth. It's really important to emphasize all that's happening with private dollars because we have an organization that's able to leverage that money. This is not public dollars going in to pay for flowers downtown. That's being paid for by the businesses and the property owners. And we know that Pbid is going to go away in a year or two. I think it expires if I'm not mistaken in 2012. If we don't have a viable organization that's going to carry that mantle, that will go away, a lot of other revenue that we depend on from the private sector will also disappear.

>> Mayor Reed: Any cards to speak? No cards from the public to speak. No additional comments from the council? We have a motion to approve. All in favor, opposed, none opposed, that's approved. Item 6.1 is the next item, that's an amendment to the lease with MACLA for 500-510 south 1st street.

>> Harry Mavrogenes: Recommend that you approve this lease. MACLA has been a long-term tenant in our building at 500 South First. They are currently in application for some grants, and the continuation of the lease will be important in their being able to successfully get these grants, and hopefully at some point be able to also do

bigger and better things with the building. They've been a great asset to the downtown. They work with the surrounding community, and we highly recommend your approval of this also.

>> Mayor Reed: Motion is to approve. I have one request from the public to speak. Elizabeth Waldo.

>> Good afternoon, hi, I'm Elizabeth Waldo. I am the interim executive director of MACLA while Angie Helstrop Alvarez is on maternity leave. I just wanted to take one minute to express our deep appreciation on behalf of all of us at MACLA for your extension of this lease, and more than that, for the ongoing support that you have given to the organization over the years. We feel that we are vital as director Mavrogenes said, vital asset to the community because specifically not only our attention to Latino artists and artists of color but our focus on youth in the neighborhood. We supported more than 2,000 students and youth last year through our programs, our workshops, our mayor's safe summer initiative work that we did during the summer, and with the expansion of the building we're going to be able to do even that much more to broaden our programs and expand our good work. So thank you. I know how stressful it must be to be in city government these days. And I just wanted to take a moment to celebrate some of your successes. Just on the block that we are on, there are three thriving organizations, all financially sustainable, all with growing audiences, growing funding sources, the institute of contemporary art, the quilt museum and MACLA. And none of them would have been possible without the support of the city and the Redevelopment Agency. So thank you very much. Keep up the good work.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve. All in favor? Opposed? None opposed, that's approved. Item 7.1 is the property use agreement with the Tabard theater company.

>> Harry Mavrogenes: Mr. Mayor, members of the board again we recommend your approval. I want to thank councilmember Nancy Pyle for bringing that wonderful group to the downtown. They were in Almaden, now they have helped activate this space and helped other thriving arts organizations find space and assist them in many ways so this space keeps active year round. This will also benefit our other projects ongoing in the downtown. So again for a small amount of money we recommend your approval to keep them going.

>> Mayor Reed: We have a motion to approve. I have one request from the public to speak. Kathy Spielburger Casetta.

>> Good afternoon. As you know I'm Kathy Spielburger-Casetta, the executive director of the Tabard theater company. We are grateful for the funding that has made it possible for us to be the managing resident company at Theater on San Pedro Square which we have branded the destination for arts discovery in the South Bay. Tabard is currently celebrating its 10th successful season of offering live theater for all ages at very affordable ticket prices. Since we took over management of theater on San Pedro square in 2008, we have welcomed and worked with more than 50 other nonprofit arts groups who have performed at theater on San Pedro square. We look forward to continuing this opportunity to serve arts patrons and nonprofit arts organizations further developing the venue as the destination for arts discovery. Thank you so very, very much.

>> Mayor Reed: That concludes the public testimony. We have a motion to approve. All in favor? Opposed? None opposed, that's approved. Item 8.1, actions related to capital equipment and systems agreement with C8 Medisensors, incorporated.

>> Harry Mavrogenes: Mr. Mayor, members of the board, we are very excited to present this proposal before you, the city staff of economic development department as well as the agency has been working collaboratively to attract this company to grow and create a significant number of new jobs in the Edenvale area, where we need them very desperately. There's manufacturing jobs here, which is really extraordinary plus. And again I also want to thank Councilmember Kalra who isn't here today but his efforts to work with this company and bring them here have been very important to our ability to get them here. So I really want to take the time to thank him for his efforts. And we recommend your approval. I think there's representatives from the company here as well as our fine staff. Don Burris is up there. He's been leading this effort on our side, and of course if there's any questions either we or the people from the company can answer them.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I'll be happy to make a motion to accept the funding on behalf of councilmember Ash Kalra. He's in a business trip in Washington, D.C. And also want to take this opportunity to thank the RDA staff to make North San José what it is today. I'm sure that if Councilmember Kalra were here, he would say the same thing of your effort to make the Edenvale redevelopment area what it is today. So thank you very much. So here's the motion.

>> Mayor Reed: Second. Yes we have a motion on the floor then. Councilmember Kalra did do a lot of work on this, and I want to have -- since he can't be here, I think we'll have Joe Paku come down and talk for a minute and then Fred Tony and Robert McNamara.

>> Good afternoon, Mayor Reed and councilmembers, Councilmember Kalra regrets that he can't be here in person for this exciting moment but he did ask me to make a few comments on his behalf. As you all know Councilmember Kalra is very dedicated to assisting the Office of Economic Development and the Redevelopment Agency with all their efforts to help our local businesses expand their operations here in San José, and to attract new companies that wish to move to San José. And it's in this vein that Councilmember Kalra is very excited of the prospect of having C8 Medisensors join us here in San José and specifically in the Edenvale technology park. That's why he actively participated in the effort to recruit C8 Medisensors. A couple of months ago, Councilmember Kalra had the opportunity to tour the C8 Medisensors' current facility and also had the pleasure of meeting with Dr. Bob McNamara, C8's CEO and its very talented management team. He came away extremely impressed, not only with the amazing, innovative product that C8 is preparing to bring to market, but also with the passion and the excitement that was clearly demonstrated by Mr. McNamara and his management team. In closing, Councilmember Kalra asked me to read this personal note. He says: I am very pleased to have played a part in the expansion of C8 Medisensors' manufacturing facility. With the launch of their production line, we are continuing to demonstrate how San José is investing in innovation and helping companies grow and create jobs in our community. I would like to thank Bob McNamara, Fred Tony, Viet Ngo, and Rudy Hoffmeister, and all of the C8 management team for bringing their business to San José. And as I said when we first met, our team is here

to help you in all the ways that we can. I look forward to the grand opening where we can officially welcome you to San José. Thank you.

>> Mayor Reed: Thank you, Fred Tony and McNamara, come on down.

>> Good afternoon, thanks for inviting C8 Medisensors to speak today. I'm Fred Tony, the chief of corporate strategy and corporate development and the vice president of finance. We've got our management team as Joe mentioned today. We would like to really thank the redevelopment association or agency that has been instrumental in helping us so far. Don Burrows, Richard Keith, Harry Mavrogenes, Janet Kern and Emily Wilcox, as well as the economic development agency, Nancy Kline, John Lang and Jeff Ruster and Congressman Ash Kalra, who has spent considerable time with us. We're excited to be moving back to San José. The company was founded here in 2003. And has spent most of its corporate life here, a short stint in neighboring city, and now we're happy to be moving back to move into manufacturing and production of our new product which will benefit many diabetics across the world. May 1st we expect to be moving into the Edenvale facility, 51,000 square feet for manufacturing and production. And also, a contiguous space of an additional 51,000 square feet we hope to take over in the next 18 months. This is a dynamic growth time for our company and we expect many manufacturing high-tech quality jobs to be created over the next several years. We anticipate 75 new jobs this year. Over 400 next year. And over a thousand over the next several years. We will also be purchasing new equipment in the next several months totaling \$1.3 million in support of that manufacturing operation and buildout, and we anticipate product sales emanating here from San José of over \$100 million over the next three years. And lastly we'd like to say, California is a challenging enough place to be doing business. Frankly the Redevelopment Agency has been a bright spot and has been instrumental and critical to our success so far and the work they've done recently. The economic work we're bringing to San José is substantial and the job creation is partly a direct result of those efforts so thank you mayor and councilmembers.

>> My name is Bob McNamara, I'm chairman and CEO of C8 Medisensors, also one of the founders. I'd like to thank the Redevelopment Agency for having us here today and also the council. Just a little brief history of C8 Medisensors, founded by myself, Jan Lipsom, Paul Higelbaum. We were three roommates who went to Cal Tech

40 years ago. I think the dinosaurs still roamed the earth then. We came together -- we have been lifelong friends -- we came together because one of my partners, Jan Lipsom, had a problem. His number one son is a type 1 diabetic. He is 18 years of age, he basically could not control his glucose level. He was monitoring himself religiously, sometimes ten times a day and yet his glucose would vary -- 100 is normal -- between 40 and 400. We decide there had to be a better way to allow a diabetic to monitor his glucose, something better than finger-sticks. That's what we set out to do. We set out to develop a new type of glucose monitor, shown here, that would be accurate, noninvasive, continuous, nonintrusive and cost effective. You wear it against the body, and you can basically read your glucose level from your cell phone. When I started this -- looking at this problem with Jan eight years ago, I didn't really know much about diabetes. Let me tell you, there's 350 million diabetics in the world, and 350 million prediabetics. It is a massive problem. And it needs to be solved. If you do not have adequate glucose control you're looking at blindness amputation, kidney problems, for type 1s if your glucose level gets too low, you're looking at death, going into a coma and dying. We've come up with a way basically to solve this problem, to allow people to more easily monitor themselves. And what we want to do is bring this technology to San José. Now, why San José? Quite frankly, first, we got a world class workforce. Second thing, the management truly believes that it's important that U.S. companies bring jobs here. We want to bring these jobs to San José. And third, the City of San José is really reached out to us to try to -- to expedite us moving to their city and I'm a resident of San José and have been here for 30 years and we're coming home. We're bringing our business and our jobs here. So I'd like to thank everybody who's really tried to help us, and thank you very much for your consideration on this matter.

>> Mayor Reed: Thank you. Welcome to San José.

>> Thank you. [applause]

>> Mayor Reed: Let me just point out that this is not happening by accident. It's happening because a lot of our staff put a lot of work into it. And I want to acknowledge that some of those who specifically worked on this, Richard Keith, John Burriss, Julie Amato, Jennifer Chen and of course C8 Medisensors for their role in this. But it doesn't -- even though there was a lot of hard work there was a decade of effort put into what's happened in

Edenvale. California is a tough place to create jobs. Over the last decade, Texas created a million jobs. Over the last decade California lost jobs. So hanging onto the jobs that we get and companies like this, that expand and make sure they stay here and grow here is really the only advantage we have over states like Texas and Nevada and Oregon. So this is a, probably a classic model of how it should be done and has been done by the Redevelopment Agency in the City of San José. We have a great bioscience cluster in Edenvale and we have a medical device cluster in Edenvale. Because the council some years ago decided we should try diversify our economy and try to invest in areas that would attract companies like this. So we have spent \$116 million in infrastructure improvements, that's Redevelopment Agency funding in Edenvale. \$11 million in the biocenter and \$4 million in capital equipment agreements for six companies. But we have hundreds of employees, hundreds of companies and thousands of employees in Edenvale as a result of that. So we have, just in the medical device field, striker endoscopy, Providian, and Hospira are located in Edenvale, and changing lives just like this particular Medisensors is going to change the lives of many other companies that are out there doing it, and it was only possible because of the work of the Redevelopment Agency and the funding from the Redevelopment Agency. So I want to acknowledge that and just a word to the governor, if you're serious about creating jobs in California, we can help. But without redevelopment funding we're going to be unable to do very much. So maybe the governor will change his mind between now and tomorrow, we'll see. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. And I want to commend everyone that's been involved from the agency, city, and particularly, the good folks over at C 8. And Mr. McNamara certainly explained the current situation very starkly but my understanding is diabetes problem is only going to grow, very, very quickly particularly here in this country and certainly this is a critical technology. And I appreciate everything your company is doing. I did have one question about actually the city side of this equation that I understand there's a - - I'm not sure if Ed or Deb might be able to answer this question. But I know there's a net new sales tax -- thank you Nancy, thanks for coming down. There's a net new sales tax arrangement here and I know this is something that's been contemplated for some time, this kind of incentive. Is this the first one we've actually ruled out?

>> Nancy Kline, economic development. Thank you councilmember. The first one we've done is for SunPower, in the previous about a month and a half ago.

>> Councilmember Liccardo: Thank you. I know that the agency routinely has a call back provision where if companies move, sever, there's a way to pull the money back in. In here I think we have an arrangement where we are asking them to stay in San José for five years minimum. Do we have similar call back arrangement?

>> Yes.

>> Councilmember Liccardo: Okay, great so we have some insurance that whatever tax dollar is being invested we're protected on the back ends.

>> Yes.

>> Councilmember Liccardo: Wonderful, thank you very much. Thanks to all the folks on the agency side who worked so hard to make this happen.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you. I want to thank you, big thank you to C8 Medisensors. Your investment in San José is truly appreciated, in the short two months that I've been here I've had the pleasure of approving items like this and I know firsthand the value of these partnerships and also the work that was put in by the agency staff and I'm sure OED spent a lot of time on this. Thank you very much for investing in San José. This investment to me is a perfect example of the value and the return that we get on the city and the agency side in terms ever sales tax, tax increment et cetera. And this small expenditure is going to bring dollars and jobs to San José for the long term. Thank you very much. I'll be supporting the motion.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Well, it's been said that diabetes is a major issue and it's a major market for medical device companies to tackle. I'm happy that we're having a med device company instead of another solar company. No offense against solar. But obviously we're going to see somebody not make it, and medical device companies do really well because we want to stay alive, right? Either through health or vanity, medical device companies do well. But if I could have a question for someone from the company, I wanted to ask, because your Website is very stealth and there's no information -- very limited information on there. You're going into a marketplace that is dominated by Abbott, Lifescan, Johnson and Johnson, Bay Area, Roche, et cetera. Obviously you do something different and probably from what I've seen from most med device companies they don't become public, they become procured. So I guess to the city's side of the fence my assumption is that if they're bought they'll stay at the division here in San José and do your thing. I guess the question I've had for you you've raised venture capital funding but who is the venture funder, can you say that?

>> Most of our investors have been small high net worth individual investors, so we have not raised a lot of institutional capital. We did close on some last year with one private investment firm that was a non-U.S. investment firm.

>> Councilmember Oliverio: And then would you call this series A?

>> No, that was actually a series C and we do not anticipate with this move and with this assistance, we do not anticipate going out and raising additional money.

>> Councilmember Oliverio: And then your product you've been doing a lot of R&D time and going through the hoops of FDA, CE Europe, Japan, et cetera. So who's the first -- where are you cleared to sell?

>> First place we will sell is Europe under a CE mark which we expect this year. And to address your question on longevity, we are signing a seven year lease in Edenvale.

>> Councilmember Oliverio: Great, well, Johnson and Johnson can do what they want later, though. And then you're going to build something for manufacturing, I understand. Is that manufacturing just for prototype?

>> No, that's manufacturing production for worldwide sales of the products. So all of our manufacturing employees will be here. Our headquarters will be here, our sales and marketing, R&D, engineering, all here in the facility we've talked about.

>> Councilmember Oliverio: And then part of your product has a disposable or is it just one unit?

>> Today it does not have a disposable. We'll likely charge a license fee for software later on or for maintenance, but it is a single sale, so we don't have a recurring revenue unless we go to a lease model, more like a cell phone lease, later on.

>> Councilmember Oliverio: I just wish you all the luck in the world, we're all behind you here. We're very excited to have you here. I do think it's a little unusual that you're saying all manufacturing is going to be here when most of the other companies that make glucose monitors have outsourced manufacturing with your traditional contract manufacturers. But if you can do it here, and that's outstanding.

>> We're doing it here.

>> Councilmember Oliverio: Great, I'll look forward to checking in.

>> Mayor Reed: Thank you. Councilmember Pyle.

>> Councilmember Pyle: Thank you. I am so impressed by your story! I hope you tell it somewhere in your literature. You went to help a friend, which would make one person's life better, and his family of course, and now you'll be able to help millions and millions of people. I'm very impressed by that and good luck in whatever do you. Thank you.

>> Mayor Reed: That concludes the testimony and the comments. We have a motion on the floor to approve. All in favor, opposed, none opposed, that's approved. Let the record reflect that if he were here, Councilmember Kalra would have voted for this. But he is on city business in Washington, D.C. And I'll be there in about 12 hours to join him. So, I think that concludes the Redevelopment Agency portion of the meeting, is that correct? We need to -- that's the open session. We are going to have to adjourn back into closed session on redevelopment matters. Yeah, we'll do that now. Sorry to have to make the election commission applicants wait a little bit. But we need to respond to some things that have happened this afternoon while we're in the meeting so we're going to go back into closed session at this time, we'll be back here in probably about 15 minutes is my guess. [ Recess ]

>> Mayor Reed: We're ready to come back into session. We finished this portion of the closed session sessions. The last part of this agenda, item 3.4, the elections commission interviews. Apologize for the elections commission applicants to have to wait. But it's Tuesday. Things happen. Sort of like waiting for election results, I suppose. It seems to be interminable, and I'm sorry for that. We have, if I understand it we're down to five applicants, not all of whom could be here today. So how many do we have here today?

>> Dennis Hawkins: Mr. Mayor, we have -- we're down to four applicants at this point. We had another applicant withdraw today. We're down to four, and we have three of the applicants with us this afternoon. Randi Kinman, Linda Edgeworth, and Robert Shepard. Leon Louie is unavailable due to a business conflict, but he is still interested in getting reappointed to the commission.

>> Mayor Reed: Okay, well, we have four applicants, and since we've interviewed Mr. Louie, we could I suppose vote on him today if we wanted to.

>> Dennis Hawkins: Correct.

>> Mayor Reed: There's nothing that prohibits us from doing that if we wanted to move ahead.

>> Dennis Hawkins: Correct.

>> Mayor Reed: If we don't get it done today, we can go out and search again. I think we have a range of possibilities. But let's be optimistic, and hopefully we get done today. One thing that makes it a little difficult is we do need eight votes to appoint somebody to the elections commission. If you are counting we're a little short here, we're down to nine people present. So we may not be able to fill out the entire roster today, but I think we'll give it a shot. So are we ready to go, councilmembers? We'll just do it the way we usually do, bring in the applicants, let them talk and ask the questions and go through the drill here.

>> Dennis Hawkins: We have the first applicant, Randi Kinman is here.

>> Mayor Reed: Okay, Randi, come on down. Welcome Randi. Thank you for being interested. We'll let you talk a few minutes. And then we'll ask questions.

>> Thank you. I have to say that listening to the redevelopment stuff before this was just so disheartening. Because redevelopment's responsible for training me, and thousands of others, to be effective volunteers. So it's just kind of disheartening to hear that. And bell there. I applied for this position because I believe the qualities that make me effective on local and regional bodies translate directly into being an effective member of the elections commission. Reviewing data and make sound comparative analysis in a timely manner is a skill needed for all boards and commissions. Because all boards and commissions handle the same two things. They handle policy development, and policy implementation. The degree and complexity vary but the way you address them is exactly the same. How you develop policy around ranked voting elections or ensuring the ability to file a complaint anonymously is handled exactly the same way as you handle a policy to develop regional transportation issues. You determine the goals of the policy and craft a document that is defensible and can be implement. Policy implementation is handled the same whether you are ranking grant applications, reviewing projects at the Planning Commission or complaints before the elections commission. You have an issue before you, you review all relevant documents you sift through testimony or evidence and then determine whether the case is compliant or not. I worked in both development and implementation for years. And I bring two other things

to the table. The first is, I spent about a decade working in the judicial system in Monterey county before moving to San José. Half that time as a court clerk so I'm used to an evidentiary based evidence processing system. And the second I bring is the knowledge that rules, policies, and procedures aren't abstract ideas, they're about real people real problems real passions. So knowing one person is going to walk out of the room unhappy is important to come to the right decision and do so giving everybody the same care and consideration. San José has trained me to be an effective volunteer, and I look forward to serving.

>> Mayor Reed: Thank you for your interest. See if there's some councilmember questions. I'd like to start by just asking you how you would be able to put aside your personal opinions and make a decision as an independent person as a member of a commission with all the rules and laws that we generate, you may have a personal point of view. How do you go about dividing that?

>> I've never -- well first I'm mom so putting my personal opinion aside has always been a priority, as a mom. It's a skill you have to learn. But as residents in San José learned when I was on the Planning Commission, my personal feelings aren't what drive my vote. What drives my vote is whether the issue is compliant with the rules and regulations. So I find that being able to rely on that is actually an asset, not a detriment.

>> Mayor Reed: Thank you, any other questions for Ms. Kinman?

>> Wow, thank you.

>> Mayor Reed: Thank you very much. We'll move to the next applicant, alphabetical or straws or whoever's next.

>> Dennis Hawkins: The next candidate will be Linda Edgeworth.

>> Mayor Reed: Welcome, Linda. Thank you for your interest in this commission. We'll give you a couple of minutes to talk about why you would like to be a member of this commission and we'll ask you questions.

>> Mayor Reed, members of the council, thank you so much. I've lived in District 7 for 11 years now. I have grown up in the Bay Area only came to the South Bay area when I moved back to California after being away for a long time. Almost my entire career has been related to elections in some way or another. I was a state administrator of elections for the state of Alaska. And after that I got a telephone call randomly asking me if I wanted to go to Mali, Africa to do an assessment of their election system. I had no idea such opportunities even existed, and I was certainly not familiar with European and international election systems, and I really had to start from the ground floor. I've been doing international work and domestic consulting work in the election field since 1992. I no longer take the long term assignments. I'm beginning to establish a home base really meaningfully as a home base in San José now, and so when I saw in the District 7 news letter that this position of a -- on the election commission might be available I thought I should apply. So that's why I'm here. Be happy to answer any questions or give any thoughts that you would be interested in hearing any of that.

>> Mayor Reed: Thank you for your interest. Councilmember Oliverio.

>> Councilmember Oliverio: I just want to say thanks to Vice Mayor for the newsletter and getting someone with incredible domain expertise in elections. So thank you for applying.

>> Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you mayor and thank you for your service and really throughout the world. You know I'm not sure I should probably check in with the City Attorney if I'm allowed to ask questions about subject matter issues that are likely to come before the commission. I don't know if this is like the Supreme Court where you're not allowed to do stuff like that.

>> I think maybe sort of like the Supreme Court, if she can answer it in generalities that's okay. But specific cases could be difficult.

>> Councilmember Liccardo: Sure. So do you have any views on ranked choice voting?

>> I'm sorry?

>> Councilmember Liccardo: On ranked choice voting and whether or not it might be appropriate here in the City of San José.

>> Well, I think -- I'm not sure it's relevant. I think it depends on the system in general and the context of the election style in eligible. Electronic voting, you're talking about electronic voting?

>> Councilmember Liccardo: No, ranked choice voting, such as the system they have in San Francisco, open as well.

>> I don't think I'm in big favor of that. I think it complicates the system, and for especially at a local arena school level, I don't think it's necessary. I think a straightforward election where someone is elected and selected as the majority candidate I think is appropriate.

>> Councilmember Liccardo: Thank you.

>> It take a bigger bureaucracy to handle that and a much more complicated voter education system.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. You have been in countries that many of us might not even be able to pronounce but I have to say to you, as well, it looks like on the date that you were there, when all things were going on very excitedly, Kosovo for example comes to mind.

>> Yes.

>> You were there during all of the chaos that was ensuing?

>> Yes I was and I was actually, my longest assignment and my most challenging assignment was directing all the voter registration and elections in Bosnia after the war for two and a half years with the United Nations military component assigned to me for security and protection and starting basically with a blank slate and the Dayton agreement and having to create an elections system for that country under very difficult six circumstances. Afghanistan was the most dangerous. I didn't run in elections in Afghanistan, but we were part of an advisory team to the United Nations, to alert them to where we thought the elections were getting off track and providing professional papers and guidance papers as to potential solutions.

>> Councilmember Pyle: And then of course the Middle East is going to be an interesting turnabout, isn't it?

>> Yes, I think my proteges from Bosnia will probably take those. And I might work for them now on a short-term basis.

>> Councilmember Pyle: So for the majority of your career you have been very, very involved in the voting systems of many, many countries.

>> There is no -- there are no two elections that are the same, and I don't care if you go back to many subsequent elections in the same place, it's been a phenomenally interesting career. I don't take the long-term assignments any more, but I do do about three or four assignments a year that take me to different places on different kinds of

projects. So it's still part of my life. But I don't take the long term assignments anymore. I'm really trying to establish a home base and a real home and friends and associations, and plant my feet for a while.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: Could you talk about how you separate your personal opinions from enforcing the law, the ordinance that we might have in the City of San José?

>> I think it's one of the things I've been most proud of in my work, at home and internationally, and that is, that my first experiences as an election official, we had specific laws precluding, like here, precluding a specific involvement in political affairs, supporting any candidate, supporting or speaking out against any specific issues. Believe me, I have my opinions, and I express them in the voting booth. But I really like the role of a neutral party who is responsible to keep the playing field level. My international experience has taught me in very clear terms that most countries don't have that role. That's well defined. They're either controlled by the ruling party, there's a lot of corruption in the election process. I find that near and dear to my heart. I think I learned the most valuable lesson in Bosnia. The only thing that I had to protect me against the three ethnic divisions in that country that just fought a bloody war on a very personal level is I had the Dayton agreement. And all I could do was stick to the terms of the Dayton agreement, although there were times when one side was vilified, and others were less vilified, where there were some real disadvantages of some of the people, depending on which side of the international boundary line they were. And I found as long as I held the Dayton agreement, it saved me. And being a neutral party I think is crucial to the administration of the democratic process.

>> Mayor Reed: I think that concludes our questions. Thank you very much for your interest in the position.

>> Thank you very much.

>> Mayor Reed: Thank you. We have one more is that right Dennis?

>> Dennis Hawkins: Yes, Mr. Mayor. The last candidate is Robert Shepard.

>> Mayor Reed: Robert thanks for joining us, thanks for your interest in rejoining the commission. We'll give you a couple of minutes to tell us why you want to reup and then we'll do some questions.

>> I'd just like to say first of all, it's been an honor to be on the commission for the last two and a half years, and I look forward to doing it again if I'm granted the opportunity to do so. In my two and a half years I have to say, it's made me really believe that an ethical election process is the most fundamental element of maintaining a successful democracy as demonstrated here in San José. And I think being on the election commission has given me a real opportunity to participate in a process to ensure that there's ethics, transparency and disclosure as it relates to lobbyists and contribution activity relating to title 12 and resolution 72547 which we run the election commission on. In terms of supporting why I'd like to continue to be on the election commission, I'd like to say that over the last two and a half years I think I'd like to think that I worked very well with all the commissioners and the professional staff, Dennis Hawkins your City Clerk, Lisa Herrick, our legal advisor, and having been retired for two years I've spent time on various subcommittees whether it is in the anonymous complaints, revising resolution 75247 or responding to various requests that have come up from the mayor and city council that you've asked us to take a position on. Since I've been retired for five years from IBM, I worked for IBM and Siemens for almost 40 years, I've tried to give back to the community. I served a year on the civil grand jury in 2005, and I've also been the vice chairman of the board of goodwill for Silicon Valley. I've really enjoyed being on the commission. I like to think I merit a second term and if granted that opportunity, I look forward to working with everyone for I think it's four years if I'm correct on the term.

>> Mayor Reed: Thank you for your interest. We have a few questions. I'd like to ask you how you go about as a member of this commission of putting your personal opinion aside and just applying the law of the ordinance or the policy or whatever that is.

>> I'm glad you asked that question, because ethics to me is the key point here versus taking a position based on any political ideology you might have as an individual. I've been involved in ethics activity quite a while, as a

matter of fact I've participated in a couple of your ethics meetings with Carl Cookson who I'm part of an ad hoc ethics group that meets in San José here with various community leaders. Carl Cookson is the chairman, Frank Fiscalini, Shirley Lewis and Bob Key are other participants on that activity. I try to be as objective as I possibly can, and make an independent judgment based on the facts of whatever allegations that are brought before me on the elections commission.

>> Mayor Reed: Any other questions?

>> Councilmember Liccardo: I'm sorry, my apologies.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Mr. Shepard, I wanted to ask you about your feelings about ranked choice voting?

>> Ranked choice voting. IRV I don't like it. I don't like it at all. Because I think it dumbs down democracy that particular process. I actually agree with mayor Willie brown who took a position against that. I believe at the end of the day, when you have an election, and no one gets 50%, it behooves the top two candidates to have a thorough debate in front of the community to let the community take a position, at away they agree with. Versus having someone come in fifth, and somehow, through some manipulation of the arithmetic, suddenly become the winner. So to answer your question, I actually am totally opposed to that philosophically.

>> Councilmember Liccardo: I appreciate your clarity, if nothing else. Thank you.

>> Mayor Reed: Okay, any other questions? Thank you. All right, City Clerk, we have -- you just handed out a ballot, number 1 we have five names on here, Rama Sehtia has withdrawn, is that correct?

>> Dennis Hawkins: They're, Mr. Mayor.

>> Mayor Reed: All right so this is one of those circumstances, I think Don and Xavier haven't heard this before. Typically councilmembers have to vote, you can't abstain, unless there's a legal conflict of interest. But this is one of those areas where you're not required to vote. So we've got to get eight affirmative votes for a person, to appoint them. You're not required to vote for any of these. You can vote for, I guess we'll be voting for three, is that the first round?

>> Dennis Hawkins: That's correct. Up to three.

>> Mayor Reed: Vote up to three. So it's just a little bit different than the rest of our voting and if we don't get to eight then we don't make an appointment and we'll figure out what to do if that's the case. So ready to vote, we'll do -- paper ballots, yes Councilmember Pyle. (inaudible).

>> Mayor Reed: Leon Louie is still a candidate, still an applicant. You can vote for him if you want. He is an incumbent so he was here three years ago whatever. He just couldn't be here today. He is eligible for you to vote for him if you wish. Any other questions on the process before we move on? All right, fill out your ballots. Now we're not doing ranked-choice voting. We need a computer for that. Computers are all down. I guess you can do it with paper ballots too, it's just a lot of paper to manipulate.

>> Councilmember Liccardo: I'm confident we have the clerk's office that's competent enough to do it.

>> Mayor Reed: They can do it.

>> Councilmember Liccardo: Yes.

>> Dennis Hawkins: Councilmember Liccardo votes for Ms. Kinman --

>> Mayor Reed: I'm sorry we have one more ballot here.

>> Dennis Hawkins: Oh I'm sorry.

>> Mayor Reed: Anybody else still sitting on the ballot? We would have figured that out when we got to the end.

>> Dennis Hawkins: I guess the first exercise to count to nine make sure we have the right number of ballots. Okay. Starting over again, Councilmember Liccardo votes for Ms. Kinman Ms. Edgeworth and Mr. Shepard. Councilmember Pyle votes for Ms. Kinman, Ms. Edgeworth and Mr. Louie. Councilmember Herrera votes for Ms. Edgeworth, Mr. Louie and Mr. Shepard. Councilmember Rocha votes for Ms. Kinman Ms. Edgeworth and Mr. Louie. Councilmember Chu votes for Ms. Kinman, Ms. Ed Word and Mr. Louie. Councilmember Oliverio votes for Ms. Edgeworth, Mr. Louie, and Mr. Shepard. Councilmember Campos votes for Ms. Kinman Ms. Edgeworth and Mr. Louie. Mayor Reed votes for Ms. Edgeworth and Mr. Louie. Vice Mayor Nguyen votes for Ms. Edgeworth and Mr. Louie. So we have Ms. Edgeworth with nine votes, Mr. Louie with eight votes, so we have two appointments. And then we have Ms. Kinman and Mr. Shepard with five and three votes respectively.

>> Mayor Reed: So we have two appointed. Edgeworth and Louie.

>> Dennis Hawkins: Correct.

>> Mayor Reed: And we have one spot remaining, we should do one more ballot, vote for up to one. Vote for up to one. And do not indicate your second preference. Up to one.

>> Dennis Hawkins: Thank you. This is our version of instant run-off voting. Councilmember Rocha votes for Ms. Kinman. Councilmember Herrera votes for Ms. Kinman. Councilmember Pyle votes for Ms. Kinman. Councilmember Liccardo votes for Ms. Kinman. Councilmember Campos votes for Ms. Kinman. Councilmember Chu votes for Ms. Kinman. Councilmember Oliverio votes for Mr. Shepard. Vice Mayor Nguyen casts no vote. Mayor Reed casts no vote. So we have no one received eight votes. So Mr. Mayor, in the recommendation, we included a provision that if less than three applicants were appointed, that the council could

direct our office to go back out and re-open the recruitment and bring back additional applicants within 90 days. We do have four members on the commission now, so the commission could function with the members that we currently have.

>> Mayor Reed: Okay. Do you need direction on that or is that just what you do if --

>> Dennis Hawkins: I think that's what we --

>> Mayor Reed: Anybody object to that? Otherwise we'd wait for I don't know, a year. Councilmember Rocha are.

>> City Attorney Doyle: Forgive me, is that for all three positions or for the remaining one?

>> Dennis Hawkins: Just for the remaining vacancy. We will go out and recruit four to fill one additional seat.

>> Mayor Reed: Okay.

>> Councilmember Rocha: And the same applicant can apply again or the same applicant or are they now void from applying again?

>> Mayor Reed: We don't have any rules against that, the pool. You know, it's up to the people who want to apply.

>> Dennis Hawkins: And we would do the same process as all the applicants, remaining applicants would come back through and council would do their indications of interest and we'd bring back those candidates that receive four or more indications of interest.

>> Mayor Reed: All right, that concludes the elections commission appointment pro-process. Congratulations to Ms. Edgeworth and Mr. Louie. I think the only thing we have left on this afternoon's agenda is open forum. I think we have a card or two. We will be back at 7:00 this evening. Luis mattos.

>> No David Walls? What's going on here? Good afternoon, my name is Luis Mattos, I'm a security officer here at City Hall. I'm a member of an exceptional team entrusted to help ensure the protection of visitors, clients and residents of city Hall. I'm also a member of AFSCME, a group of employees, San José residents San José taxpayers and neighbors who are dedicated to crafting real and transparent solutions for the next fiscal year. We understand the needs of our neighbors and we are stepping up. We are your neighbors. Our children attend schools and play sports with your children. We shop at the same stores, play at the same parks, and visit the same community centers and libraries. We pay the same taxes. And elect the same leaders. We share the same concerns as you do, because we are you. One of the City Manager's six values comes to mind right now. And that's collaboration. Our collaborative efforts of pursuing real and transparent solutions must continue. But there are five other values that can guide our process. Respect, innovation, integrity, excellence and celebration. We all hear our neighbors' needs and we all need to step up. Thank you.

>> Mayor Reed: Thank you. That concludes the open forum. That concludes our afternoon agenda. We'll recess until 7:00 p.m.

>> Mayor Reed: Good evening. Going to call the city council evening meeting into session. 7:00 p.m. agenda. We're going to have to start by adjourning into closed session, consider some things that have happened since we were last in there about an hour ago. And then we'll start the evening meeting session. So we're going to go into closed session. Hopefully, it is only going to be a couple of minutes. [closed session]

>> Mayor Reed: Good evening, welcome everybody, we're going to get the council back into open session. We just completed the latest of closed sessions today, hopefully the last for today. Anything to report out?

>> City Attorney Doyle: Nothing to report out at this time.

>> Mayor Reed: Okay. This evening's meeting will start with the budget message. We opened the hearing this afternoon, took some testimony. We also wanted to allow people who couldn't make it in the afternoon to come down and testify. The council will not be taking action today. The action on the budget message is on the agenda for March 22nd, that's a week from today, on the afternoon agenda. This evening is the chance for the council to hear from the community. So we will take the public testimony and let everybody have a chance to tell us what they think about the budget message. I will call a few names, come on down to the front so you're close when it's your turn. Jerry Mungai, Teresa Weiss followed by Susan Abley. Yes, two minutes per speaker is the time allotment for this evening.

>> Thank you, mayor. These are indeed challenging times with revenues continuing to outpace expenses. Your budgeting principles and guidelines were not only commonsensical, but absolutely necessary. We compete in a global economy. That will force us all to collectively work as a one lean mean machine. That means the deficit must be principally reduced through expense reductions, not service cuts, but service -- the cost of services that are delivered. Obviously, pension reform is at the top of the list of necessary changes. The private sector that pays the bills has moved to defined contribution plans, so must the city. And of course the private sector doesn't have the generous health care benefits that the city employees have. Reform must also include privatization of

services. Decision should be made on economics, nonunion contracts, or bureaucratic in-fighting that takes forever to get any commonsensical rational decisions made. And of course we must also push to have performance reviews as an ingredient in determining who gets laid off when we have layoffs. I notice in going through the list of items there was no mention at least what I could see, about street or pothole repairs, but numerous comments about many social services, health care for kids, the B.E.S.T. program, gang prevention, et cetera. Streets continue to deteriorate, and there's little hope to get help to fund street repairs in San José. We need to fund street repairs to save our streets. And one of the biggest social -- one of the biggest social services affordable housing. We don't need any more affordable housing at this time. It's time that other communities take up the slack. We already have over 18,000 such units. We've also taken from taxpayers over \$600 million in mortgages to help select individuals find housing here who would otherwise be unable to do so without our help. These --

>> Mayor Reed: Sorry, your time is up. Teresa Weise, Susan Abeley and then Judy Purrington.

>> Hi, my name is Teresa Wiese, I live in District 2. I'm a 30 year member of the friends of the library, and I also do other volunteer work for the libraries. So you know I'm here to talk about libraries. And I'd like to ask you to not reduce funding for them. I was really excited to see this article in the March 9th mercury called passing on a love of reading, and it was talking about the reading buddies program at Almaden and Tully where teens volunteer to read to the younger kids. The more hours are cut in our branches, the fewer opportunities there are for strong programs like this one because these programs can only happen when the doors are open. Good libraries and committed volunteers equals strong communities. Please let us keep this momentum going by not reducing funding to the libraries. Thanks.

>> Mayor Reed: Susan Abeley followed by Judy Purrington, and Vicram Cant.

>> My name is Susan Abeley. I'm a 20-year resident of District 9. The reason I'm here is to keep our libraries open. Shuttering our libraries or having them closed four days a week is unthinkable. As you mentioned in your budget message we need more library hours, not less. Hearing of your plan to cut the branch library hours for the

long term is really discouraging. So many residents depend on their branch libraries for free access to books newspapers and computers, job seekers without their own computers come to the branch libraries to e-mail, update their resumes and fill out online job applications. Students use their nearby branch as a safe place to meet and get information to complete their homework after school and on Saturdays. At the recent neighborhood priority setting session leaders favored concessions rather than closing libraries and community centers. Our residents prefer fiscal reform, to slashing library hours. Please keep our libraries open, and strong.

>> Mayor Reed: Judy Purrington, Vicram Cant, Tony Nguyen.

>> Good evening, mayor and council, my name is Judy Purrington. I've lived nearly 30 years in council District 10, most of that in Edenvale neighborhood. In Edenvale, a child going to Edenvale elementary school in 1987 faced for their educational career the likeliest thing would be that they would be a high school dropout. Due to a visionary principal, Mr. Smith, a program called adopt a college was brought into Edenvale elementary school. And today, more than 50% of the children in that school go to college. Or trade school. This is a program that came out of the community. Our community is also benefited by a number of things, revitalization, strong neighborhoods initiative, but the community has backed the things that are going on and one of those jewels in our area is the Edenvale library. You go to the school library, and for ten minutes the kids get to go into the library once a week, just long enough to pick out a book and they're constantly told to hurry along and get their book checked out and get back in line and get back to the classroom. So when the kids need a real library, the Edenvale library is the one that they go to, to do their homework, to spend family time, to have activities. The libraries are something that you just can't replace and the kids you meet at that time library are the kids you're not going to meet in juvenile hall. I ask you to find a way to make our libraries be open, an amount of time that represents the respect we have for the future of our city. Thank you.

>> Mayor Reed: Vicram cant, Tony Nguyen, Norm Collier.

>> All right, good evening, everyone, thanks for hearing me out. My name is Vicram cant, I'm a Senior at Wentworth High School. And I know the first thing you are looking at is me, and I'm in a tee shirt and jeans, and

you're like what is he doing in front of us all? He's not at all formally dressed. But you know, my choice of clothing reflects who I'm trying to represent here today, and that's most of the students of San José. And the issue I'm going to bring up is again echoing many of the sentiments before you me is about libraries, and how much of a community institution they are and just how important they are to us students of San José. Now the first thing I want to bring up is the last year we've been cutting libraries on Mondays. That itself is a struggle. That has been hurting students. Libraries are the single biggest place we can go after school and we are guaranteed a safe place where we can make learning our priority. At a time when education is at its worst, libraries give a beacon of hope to a lot of students and they allow us to really make a difference in our own learning and make productive change in teaching other kids as well. Now this year what I've been reading is that first off our hours may be cut to three times a week. And so the first thing is, that's really bad for a lot of students. I mean just flat out it is very difficult for us right as it is now to organize our schedules around having every day except Monday. We are busy people too and a lot of times we have other things as well and libraries have an opportunity to get our work done in a timely fashion. By cutting it down to three days a week you're severely minimizing our ability to learn and progress in becoming better students and becoming better advocates for our own communities. So when we cut it down to three weeks or three days a week, you're definitely hurting a lot of students and we're also increasing the propensity for crime and other things because no longer is there a safe place where kids can go after school. That's something that is important of course for you as well. I know there are a lot of issues on the budget and there are a lot of places that need to be shored up and a lot of problems, but ultimately I think libraries are worth saving for the long run for students who I represent and for the communities that it represents so thank you very much for hearing me out and I hope at least I changed some of your minds in this regard, thank you.

>> Mayor Reed: Tony Nguyen, Norman Collier, Wilma hashy.

>> Mayor, councilmembers, my name is Tony Nguyen. I've lived in District 2 I think for 35 some-odd years. I was going to stand hear in making a case for why the library needs funding, but the last four speakers, five speakers have done the job for me. So what I want to do is talk about the budget message itself. I think the budget message actually sets the right tone. I think by protecting the social services and library services you're doing the right thing. A couple of questions though. In the budget message you say that you want to restore libraries back to

January 2001 levels. Does that mean four and a half days for all the libraries, or will you also have four libraries closed as well? Because right now we have four libraries closed. Hopefully it's the latter, four and a half days for everybody. Also, I hope that the years in between this year and five years down the road are also smooth transitions for the library. It's one thing to have 2011 funding today and 2011 funding in 2015. But in between we ought to have some smooth transitions. We can't cut library fundings entirely in between. I also want to plead for the youth commission as well. I didn't see anything in the budget message for the youth commission. The youth commission itself only has a tiny budget. All you need to do is pay for one full time staff member and a part time staff member. I think the commission itself does a great job teaching the youth civics. It is your civics program. I've seen our district 2 teenager turn into a true leader in the past two years. I hope you specifically put money in for the youth commission. Also I hope that you have more fundraising ideas inside your budget message. For example is it possible that a rich person would pay \$5 million for naming rights for a library? Facebook branch, I would like but a Zuckerberg branch I might buy that. Also there's a lot of empty walls in the libraries. Can we use that as an art gallery? Can we use for friends to sell art on library walls? Also one of my pet peeves is people talking on the cell phones. Can the cops mount a campaign, snatching the yackity-yacks off the streets?

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

>> Thank you very much.

>> Mayor Reed: Norman Collier, Wilma Hashy, Richard McCoy.

>> Mr. Mayor, my name is Norman Collier. I live in District 2, as well. It is unfortunate Ash is not here tonight. Mr. Mayor, I'm a member of the Santa Teresa friends group and it is 35 members strong. Our mission is to raise money, donate money, volunteer hours, for the Santa Teresa library program and specifically, children's programs. The Santa Teresa gate count is approximately nine to 1550 per day, depending on the day. In February, consistently, and also in other months, the Santa Teresa branch is the fourth highest utilization for circulation of books media materials and customers. At 2011 levels, the staff at that time Santa Teresa branch is struggling, is swamped on Tuesday because they are not open on Monday. Mr. Mayor, I do not believe that the

staffing level is a linear relationship between the days open and the head count. Library staff is already under -- unable to keep up with the books returned, which is unfortunate for the library customers. Some of programs provided by this library are job searches which are very important in this dire economy. One on one resume development, basic computer learning skills, reading development for children, providing reference materials to the -- to patrons of the hospital which is very close to this branch. Helping improve writing skills, teaching children to play chess and provide chess tournaments to those children. This as said before, this is a safe place for 'tweens and teens. They gather there in the afternoons and discuss their homework and other subjects.

>> Mayor Reed: Sorry your time is up. Wilma Hashy. Richard McCoy, Gina Gates.

>> My name is Wilma Hashy, and I'm a resident of the city of San José, I do live in a certain council district, but I figure that the whole city is part of my city, and what happens to the whole city happens to me as well. So I'm not going to even tell you what district I'm in because I work with several different districts. And I think what was said about Santa Teresa and what was said about Edenvale fits every library in the city. We need to have our libraries open more hours than they are. We have young kids who come into our libraries. I'm going to give you a message from a ten-year-old at pearl avenue this afternoon. When I told her I was coming to the city council meeting, she said, you go there and you tell them, we won't stand for it. She was learning to crochet, and she said, we won't stand for our libraries being cut anymore. So let's keep our libraries open as much as possible and I know you're doing a good job at trying to do that. I appreciate what you do. I hope we can see more library hours, the two that are closed we can see them open before another five years goes by. Thank you.

>> Mayor Reed: Richard McCoy, Gina Gates, Randi kinman.

>> I'm here today to speak on behalf of the senior nutrition program. I had a great demonstration of a typical senior meal, compare that with the big Mac meal but your security won't let me bring it in. But the senior meal serving last year and this year approximately a quarter of a million seniors out of 13 sites, about a thousand a day. The meal value is about \$2.50 and for about 75% of the seniors it is their main or sole meal of the day. As many of you have worked with the senior walks you're quite aware of the senior's need for nutrition. I applaud the

mayor for allowing it in his budget program. I wish it was up to the level we had this year, the 1.1 million so that we could serve all the members. The important thing to remember is this social event for the seniors if they go without this meal it means maybe in a month or so we're going to treat them in the hospital for malnutrition and it's going to cost a lot more at that time. These are our parents, these are our moms, these are our dads, these are the people who brought us up, taught us everything we know, the shoulders we cried on when we lost football games or our first love. We can't dispose of them like last year's telephone. We need to respect them and take care of them. Thank you for your time.

>> Mayor Reed: Gina gates, Randi kinman, Steve Kline.

>> Good evening, if it looks like I just got up, I did. I first came for the children's health initiative, and it was great to hear you quoted, that is really looking at being preserved. I understand that you all understand the importance of our children and social services. So I'm hear actually to say thank you very much on that. I think social services as you know, we need to protect that more than any building, more than any street. I don't mind having to get you know my car rebalanced several times a year. Maybe that will slow us down and save gas. So you know, but also, I actually had a message on second hands for everybody who isn't here today, I mean there are a lot of chairs here that are empty. And it isn't the adversary that is going to be hurting us, the issue of fighting poverty and paying bills in this city. The thing that is really going to hurt us is the apathy. I want to, whoever is going to be hearing this, on TV or wherever, if kids need to learn to play chess, if people need to learn to read, if they need to build their skills, you know what, look at yourself and see how much time are you donating to one of your fellow neighbors. So I'd like to challenge our city to look in the mirror and say what can I do today for my neighbor? And thank you all for your help.

>> Mayor Reed: Randi kinman, Steve Kline, Carolyn Martin.

>> Thank you. Restoring service to January 2011 implies service was equitably distributed on that date. This conflicts with the survey done by the city that led to the library and community center bonds that built new facilities to serve residents of color and low income who couldn't access existing facilities. Leaving the Bascom avenue

library and community center closed presents an equity issue never resolved. No analysis has been done to determine whether the current policy discriminates against or negatively impacts people of color and people of low income. And it has to be said that this facility was the number one priority for two NACs so it was in a blighted area and these people made this a priority. When you reduced police and fire service you assume when you call for service that they're going to show up. When service means that you have to go to a facility, and it's not there, then you've negated their able to access service. If this is only about economics then where's the analysis that shows running two separate facilities is cheaper than running the combined facility at Bascom, cross trained staff has the potential are to generate its own electricity and the potential to generate revenue through a stand alone retail operation. This analysis has never been done. Our neighborhood does not consider the return to January 2011 a fair or equitable balance.

>> Mayor Reed: Steve Kline Caroline Martin, Helen Chapman.

>> Mayor and councilmembers, good evening. Out of the proposed 15 guiding principles that the mayor has presented, 13 deal with pension and employee benefits. We all recognize that these issues need to be discussed and possibly changed to meet the fiscal shortfall. As part of the neighborhoods and communities, we have little to do with most of those items because they are part of the city's contract with the city workers. However, there is one item that concerns neighborhoods and communities, and it is very troubling. This is restoring community services to the January 1, 2011 level. What are those baselines? What are those numbers? What are the metrics? What are we restoring to? When will we restore it? These are questions the neighbors and the communities ask. They're having a troubled time understanding the basic message. And what needs to happen is, there needs to be answers, needs to be clarity. The city, the communities and the neighborhoods are well equipped to help work to meet your -- the city's needs. And we are willing to do that. We are willing to continue the sacrifices that the community is making, but you need to be clear with us, with what we are talking about. Are we freezing this budget for five years, and so that therefore, we're going to tell the people of Bascom, Calabazas, education park, and other areas, that they're not going to get their libraries? If that's so, let's tell them that, so that we understand what kind of sacrifices we may be asking our city workers to make. I urge you to really question those -- that number two guiding principle. Thank you.

>> Mayor Reed: Caroline Martin, Helen Chapman.

>> Hi, I feel like I'm back in front of a good crowd again. I'm Carolyn Martin, I'm from District 9, I've been a library advocate for a while. I want to talk about schools again for a minute. They're really hurting. East side union school district closed their school libraries last week -- or last year and a lot of the districts are looking at that again. So we're narrowing down access points for students to go to work collaboratively together and to have a place with a reference person to help them figure out what it is they need. Did you know that Einstein dropped out of school and then went to his public library and read his way through and that's how he educated himself? We have businesses here that are screaming and crying for an educated workforce. This is the way to help both students and businesses come together, and give them what they both need. Just a note, on the survey that I saw that asked you know how do you feel about cutting library hours and people were like hey, you could do that. And the answer was more positive than I wanted to see. But I think if you ask the question, how do you feel about having the libraries only open two to three days a week? You would have gotten a totally different response. And most of it would have been, "are you out of your mind?" I know you have a tough job, and I appreciate the work that you do to try to find answers and I would just ask that you continue that, and look at the greater good, and keeping young students on a pathway to good citizenship and to work in our local businesses. Thank you.

>> Mayor Reed: Helen Chapman is the last card I have. If anybody else wants to speak please get your card in.

>> Good evening, Mayor Reed, members of city council. My name is Helen Chapman, president of the Shasta Hanchett park neighborhood association. I'd like to echo the concerns of my fellow community members and ask for clarity and honesty regarding the what appears to me as budget freeze going back to 2011 service levels. That concerns me. Our neighbors are -- our neighborhoods are here to help. Our neighborhood was the first one to adopt the traffic medians islands rather than lose the landscaping. We go out, we clean them up. Our neighborhood on Saturday spent six hours with 15 people cleaning up graffiti and picked up 40 pounds of trash along the Alameda and San Fernando. We enjoyed ourselves. We're here to help. Let us know is this something we're going to do regularly now because we are not going to have an anti-graffiti program? We are not going to

be opening our parks? We are not going to be opening our libraries? We need to know. We need clarity. Many of my neighbors don't understand the budget. They don't understand the message. We need honesty, and we need to know what's going on. Thank you.

>> Mayor Reed: Come on down.

>> Good evening, mayor and members of city council. I know that you all care as much as I do for city services and for our youth and senior services and parks and libraries and children's health. So I'm here just to advocate for them. I know how difficult it is to go through the budget process, and that we don't have enough money for everything but when you're going through your deliberations please remember, that the most disenfranchised and vulnerable are the ones at risk. I've never seen people go through garbage cans, I'm just devastated, in my neighborhood there have been people, seniors going through all the garbage cans. I'm choking up because it's horrible. The situation in San José it's really bad especially in my district, I live in Evergreen and I grew up in district 5, please do everything you can to save this program. Thank you.

>> Mayor Reed: Come on down, if anybody else wants to speak. Go ahead Mr. Trout.

>> Well, I'm here to urge you to shut them down half the week. Keep the libraries open for two and a half days every single week. We can save a lot of money and I'd like this council to urge all of us to read the book of books, the Bible. I'd like to make a public -- I'd like you to make a public declaration that we as the City of San José are acknowledging that we should seek God and seek the Bible, and not only will we save money, but those people that read the Bible, and believe the Bible, will be influenced by the Bible to be good citizens of San José. And I think about the time that Jesus went into the synagogue when he began his ministry and unrolled the scroll where it was written, the spirit of the lord is upon me because he's anointed me to preach the gospel to the meek. He did that on purpose, he knew he was the one that God had sent and it was now his time to unroll the scroll, the book of the law, in Isaiah, 700 years it had been predicted that this would come about and they graciously looked at him thinking, that's amazing, he said like me, this day and this -- in your ears, this is fulfilled. And he just kind of smiled at them and they wondered at the gracious words that proceeded out of his mouth. And then as he began

to point out their sins they decided to throw him off a cliff later on. But still book reading is very important, particularly the scriptures so I would hope that this city council would urge you us to do all this, to seek the scriptures, think about all the money we'd save if the libraries are only open half the time and then think about of course the results of hearing the word of God. I think this council would say we need to put up the ten commandments again in our schools that our children would be influenced you know not to steal, not to kill, not to fornicate, not to lie about each other and so on. Thank you very much.

>> Mayor Reed: That concludes the public testimony on the budget message. Before we move on to the other items of business on the agendas, let me make a couple of comments about what I am recommending in the budget message. The message is posted online with the agenda for this meeting. It's also posted on the city Website and the mayor's page. But I just want to respond to a couple of comments. First if you look at my recommendations, my specific recommendations which are on page 2 of the message recommendation number 2, in which I'm recommending we direct the City Manager to bring back recommendations on May 2nd, that's the date that the rest of the budget comes to us, based on the principles that I'm recommending the council adopt, to achieve \$216 million per year of cost reductions or new revenues to the general fund that will allow us to restore levels to January 1st, 2011, and, that is a very important word there, and to open the libraries, community centers, and fire stations built or under construction. And the police substation within five years. So I am not proposing that we freeze anything at this level. But remember, the next fiscal year, starting July 1st, we're going to take cuts in every department, all over the city. This very bad budget. So we're going to lose ground come July 1st but I'm proposing that we figure out a way to claw our way back, to restore the services to the January 1st levels and to open the two libraries that are sitting empty, community centers that are closed, fire stations that are closed, and the police substation that's sitting empty right now. So that's my recommendation. So I think that answers some of the questions. Other folks have asked for more details. That's the purpose of having the manager go out and take six weeks to put this together. There's a lot more detail that would need to come back. And as part of those recommendations, and we'll see those on May 2nd and we'll have an opportunity to debate those, decide those and ultimately have council make a decision. But we're not taking action tonight on this budget message. We'll take action next week, Tuesday afternoon. You're all welcome to come back. That is on the agenda. I'm not sure exactly what time yet. I don't think we figured that out yet but it will be next Tuesday. So that concludes the

hearing on the budget message this evening. We need to move on to some land use items I think or the next items on the agenda. We will have a public hearing I think the only thing we have is the consent calendar, with one item on it. That would be ordinance rezoning property on the south Bascom e-mail north of Fruitdale avenue. Does anybody wish to speak on that item? I see no cards from the public. Anything to add from the staff?

>> Motion to approve.

>> Mayor Reed: We have a motion to approve that item. All in favor? Opposed, want to speak, Councilmember Liccardo or --

>> Councilmember Liccardo: Mayor I'm sorry, this is a -- all three of the items on consent, is that correct?

>> Mayor Reed: I just have two items on the consent calendar on my agenda.

>> Councilmember Liccardo: I'm sorry, right. Thank you. Yes, just register a no vote on B. Thank you.

>> Mayor Reed: B is the only one we're voting on so one no vote on the motion. That concludes the land use agenda for the evening, correct? Taking us to open forum. I have one card for Mr. Trout but I think he already spoke. Mr. Trout do you want to speak under open forum? Come on down. Any other cards on open forum?

>> Well, as many of you know maybe all of you know we're coming up to the one-year anniversary of senator Nancy Schaeffer.

>> Mayor Reed: Mr. Trout, I want to remind you again that open forum is not on free speech zone, it is for matters that are within the subject matter jurisdiction of this council that weren't on the agenda. You need to speak to something that pertains to us, not someplace else. Free speech is out on the plaza. This is not a free speech zone. This is open forum. Official council meeting.

>> I thought you might say that, so I'll use this, then. You know I ran for city council here in District 9 and Larry Pegram, I'm kind of standing here for Larry Pegram. I know the lesbians, gays and transgenders, threatened many businesses that said they would support Larry Pegram. And they said if you do support Larry Pegram, basically we're going to run you out of business. This needs to stop, mayor and city council. We can't allow this tolerance and hatred by the homosexual community. That was clear intimidation. And I should have brought the letter with me, I've still got it, the letter that Larry pegram sent us and the letter that the gays, lesbians and transgenders sent around to the various businesses. Free speech is more and more inhibited in San José. It really is. I was not allowed in the first debate because Judy Chirco's husband ran and controlled the debate and when he learned I hadn't got all my votes counted yet, he didn't allow me in the debate, which is totally unfair. You know, I was the write-in candidate. And I went round and round and said to the people of San José if you like Ron Paul you'll like me. I'm not as smart as him. I'm just a carpet cleaner. But I like what he has to say, he stands for freedom and the constitution. I didn't win but maybe the next time. If there is a next time. We need to stand up against this. This is not right. Here you have all these businesses that would give money to Larry Pegram. By the way Brian Sussman was used to help you get elected mayor.

>> Mayor Reed: I'm sorry your time is up. That concludes our meeting, we're adjourned.