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>> Mayor Reed: Good morning, like to get the meeting started. This is the labor update portion of the meeting, we'll have that and then we'll adjourn into closed session and back in here at 1:30. Start with Alex Gurza.

>> Alex Gurza: Good morning mayor, members of the city council, Alex Gurza, Director of Employee Relations. As we pause here for our presentation to come up, the weekly reminder that we do have all information and proposals made by the unions or the city, for the labor negotiations posted on the city's information site, there is a link to it on the City's home page. Since last week we did receive notification I think we had already mentioned this, that the ABMEI building inspector tentative agreement was ratified by the building inspector membership and that is on the May 31st council agenda for your approval. There have been some developments with operating engineers local 3. We had issued last best final offers to them. The alternate less best final offers that we had mentioned before, however we continue mediation continued to try to see if a mediated agreement would be possible. The negotiating teams did reach a mediated tentative agreement on May 18th, that was for a one-year contract that included a 10% ongoing total compensation reduction. Unfortunately, however, we were notified by OE3 yesterday evening that the membership rejected, did not pass the mediated tentative agreement, and so that leaves us back to the last best and final offers. In fact, there is a specific sentence in the mediated tentative agreement that the parties understand that should this mediated tentative agreement fail to be ratified by the membership, the city shall revert to its best and final offers and that was well understood by the bargaining teams. So that is where we are with OE 3. With IBEW, the city has provided its last best and final offers to them, as well as to the Association of Legal Professionals and MEF and CEO. Related to the POA, we did participate in the second mediation session on May 18th, and at the end of that session, the POA decided to terminate mediation and so mediation has been concluded without having reached an agreement with them. So in terms of our progress, reaching the 10% ongoing total compensation reduction are those employee units, the bargaining units that are listed as well as unrepresented executive management and professional employees. And that concludes our presentation this morning.

>> Mayor Reed: Have a couple of requests to speak. We'll take that now. Brian Doyle and John Max Reger.

>> Good morning, Mr. Mayor, councilmembers. I'm here to say that I'm baffled. More than a month ago Alp presented a deal to the city that was essentially the deal that was recommended by your bargaining team for OE 3. I don't understand why the city would now accept a deal that we would -- that we have made about a month and a half ago. Alp is willing to continue to discuss reaching a deal with the city. I think it has been disingenuous for the city to say that ALP has not offered and agreed to a 10% compensation because we have. It has been the city that has rejected that offer and to tell the press that we have not agreed to that is not correct. We have agreed to it. We made you an unambiguous offer of 10%. It appears that the side letters are no longer a problem in that the city negotiating team agreed to them and agreed to not have them in a tentative agreement in a one year deal with OE 3. Having said that Ms. Donnelly, you know our telephone number we are still willing to talk. I don't understand what's going on here. It would be helpful if we did. Thank you.

>> Mayor Reed: John Max Reger.

>> Good morning, honorable mayor, honorable members of the council, madam City Manager, members of staff. John Reger, city employee, member of OE 3, member of negotiations team. Just wanted to give a little bit of perspective here. May 4th we had our first mediation and we were scheduled to have a follow-up mediation for May 18th. City issued a last best and final offer May 12th. In my understanding at the time, was that that's it, we were done. May 17th, spoke to you last about OE 3 and their impact as far as their budgeting, 64% of our price funds and so forth. At that time, I was also informed that mediation had been cancelled. The next day, Wednesday, was my day off. Business agent sent me an e-mail, unfortunately to my city computer. 8:30 in the morning. And I was home in Manteca, 70-mile commute. So I get a phone call about 2:00, saying we'll have mediation at 3:00. I think that could have gone a little smoother. So I think it would be prudent to inform everyone. So it's -- it just is not a criticism per se, it's just I think things could have gone a little smoother. On the 20th I prepared a summary of the contracts and compared them with fire. What was proposed to OE 3, what was being imposed, what was compared to CAMP and showed across the board the 85-15 and so on, so forth. And we had one day to do a presentation and volt. OE 3 our folks were distributed flout the city. We are not cubicle jockeys if you will. We have folks at the plant, we have folks at City Hall, we have folks at Mayberry yard, at the West yard, throughout the city. So it makes it a difficult proposition to attempt to educate folks on what is

presented, and to take a vote at the same time. So I hope you take these comments into consideration and perhaps give us a little more time in the future, perhaps let us talk to these -- our folks at some of these other sites. Because I think we could have had a better or at least had more folks turn out to vote. Thank you for your time.

>> Mayor Reed: Thank you. That concludes the public testimony. We're going to adjourn into closed session. We'll be back here at 1:30.

>> Mayor Reed: (gavel strike) Good afternoon. Like to call the San José city council meeting to order for may 24th, 2011. We will start with an invocation. Xavier Campos, Councilmember Campos will introduce the invocators.

>> Councilmember Campos: Thank you, Mayor. It gives me great pleasure to present the Alum Rock dance band. The Alum Rock dance band program is a tribute to the Alum Rock school district's music program. It continues to succeed due to the fine student musicians, the excellent teaching, several generous community sponsors as well as partnership with San José jazz and the Stanford workshop. The band has performed for literally tens of thousands of people. The musicians are middle school students who competitively audition each fall. The bands performs a dozen times during the school year and its repertoire includes big band jazz, classic rock, show tunes and popular songs. Today we feature the band's rhythm section and vocalists who include Tre Pham and Brandon Vicente on keyboards, Daniel Morris on guitar, Emmanuel Gamboa on bass, Jesse Rosario and Jennifer Placa on drums and percussion, with Amanda Ramirez, Stephanie Gonzales, Maya Jaquez, Yarsee Sandoval and Tahea Allen on vocals. The group is taught by vocal instructor Jay Jordana and drum instructor Ben Vega. The band's director is Tim Vasik. I will now turn it over to the band as they will perform their Irving Berlin classic, "Blue Skies." [∂music∂] [∂ Singing ∂] [applause]

>> Mayor Reed: Thank you. We're now going to do the pledge of allegiance. Our band can just turn around. Everybody else please stand. We're going to be helped from St. Joseph Elementary School in District 2 and Rosemary elementary school from District 1. [pledge of allegiance]

>> Mayor Reed: Thank you, Alum Rock jazz band and St. Joseph elementary and Rosemary elementary. Appreciate you being here. We'll give them a moment to get off the stage. please be quiet as you leave. We'll try to keep working. First we'll consider orders of the day. Are there any changes in the agenda order? I have a couple of requests to defer, to May 31st Item 7.3, which are actions related to San José environmental innovation center project, and to June 7ths, Items 2.3 C to I, those are council committee reports, 2.3C through I. Any other requests for changes? Councilmember Liccardo. We have a motion to approve orders of the day. With those changes, all in favor, opposed, none opposed, that's approved. On the agenda order I just

wanted to note in case anybody missed it that we're taking item 3.4, the City Manager's fiscal reform plan, immediately after the consent calendar. And we'll move through the rest of the agenda pretty much in order. But that is outlined in the printed agenda. As noted in the orders of the day, in the agenda, we're going to adjourn this meeting in memory of Bruce Demers, served for 26 years with the San José fire department, was active in local political and community causes and made many contributions to the City of San José. Councilmember Campos has some additional words.

>> Councilmember Campos: Thank you mayor. Bruce Blayne Demers passed on Friday, May 20th, 2011. Bruce spent his boyhood growing up in Willow Glen and attended local schools. In 1961 he made his home in Los Gatos after marrying Louella Taldy in her home town of Pacifica. And shortly thereafter they moved to San José where they lived for the last 40 years. In 1968, it was 1968 that Bruce successfully tested to become a firefighter for San José. And thus began a 26-year career in the fire service, where he ultimately attained the rank of fire engineer. During that time, Bruce was elected treasurer of the San José firefighters union local 230, and from then on he became very active in local politics. After his retirement in 1995, Bruce continued to be active in various organizations, keeping him involved in local matters. In 2009 and 2010, he served as president of the association of retired police officers and firefighters in San José. And also served as vice president of the organization. Bruce loved to travel to Dutch harbor Alaska with his friends and family and it was during these times when Bruce was his happiest. Bruce is survived by his wife LouElla of San José, his daughter Carrie of Montera, California, and by his brothers Duncan and Donald. And on a personal note my first time I met Bruce is when I was in elementary school. There isn't anybody who looks like Bruce, so I remembered Bruce as a child when they were giving fire safety at Dorsa elementary school in the Alum Rock School District, and I came to know Bruce as an adult through Jack Folloy who introduced me to Bruce. Bruce always wore his heart on his sleeve and our city has really lost a great citizen. Thank you. [applause]

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

>> City Attorney Doyle: Mr. Mayor, the council met in closed session this morning, there is no report.

>> Mayor Reed: Thank you. We'll now take up the ceremonial items. I'd like to start by inviting Councilmember Constant and representatives from the San José Senior commission to join me at the podium. Come on over. Thank you for joining us as we recognize the month of May as older Americans month in the City of San José. Councilmember Constant has some of the details.

>> Councilmember Constant: Thank you, mayor. With us today we have a number of representatives from our senior citizens commission here at the time City of San José. We have Francis Jones, she's the chair this year. Martha O'Connell, rich McCoy, who else do we are? We have Roger Lassen, Bob Gil and can I never pronounce -- Chi Vadia, sorry. As we know, there are an increasing number of adults that are reaching retirement age yet remaining strong and active for longer than ever before. Every May since 1963 people in towns and cities accreditation the country have come together to celebrate the enormous contributions of older Americans. The theme of this year's celebration is older Americans, connecting the community. It pays homage to the many ways in which older adults bring inspiration and continuity and the fabric of our country in its communities. Their shared stories, diverse experiences, and wealth of knowledge have made our culture, economy and local character what they are today. The City of San José is home to more than 120,000 residents aged 60 years or older and we recognize the demand for preventative practices and activities that will improve their health and quality of life. They are the inspiration for the younger community and its five leaders. The older Americans are out and about and making a difference in their community. This year it was my great pleasure to host our sixth annual senior walk in District 1 and I know some of my colleagues have held theirs in their districts. Nancy Pyle has held one and as has Rose Herrera. Get some exercise and avail themselves to a wide variety of services that are available from both profit, nonprofit, and governmental agencies. I encourage every citizen to take the time this month to honor our older adults and the professionals, family members and volunteers who care for them. Our recognition of older Americans and their involvement in our lives can help us achieve stronger and more meaningful connections with each other and enrich our community's quality of life. When you help seniors thrive in our community, you gain far more than you give. Now normally, the mayor presents these proclamations. But I'd like to present this to you, as a representative of our senior community. Mr. Mayor. [applause]

>> Councilmember Constant: As well as one to the chair of our senior commission and thank them for all they do and I believe the chair, Francis has a word or two and mayor if you want to add any insights as an older American you can obviously feel free to.

>> Mayor Reed: I love being an older American.

>> Thank you so much. I wanted to thank the mayor and the council for all the help that they have given in the struggle for them to try to keep our community centers open. And the task that they have fought so hard to maintain, our senior nutrition program. They know how much it means to us, and how needy it is for our community. I want to also thank them for their struggles, in finding if wherefore to keep our senior programs going. It is overwhelming for me, a little gal from goose town, to be standing in this chamber with the mayor. I never believed I would be at a city council meeting let alone on the floor with the mayor. I really want to thank you for all your hard work and your diligence in trying to maintain our senior program. Because we know how difficult it has been, and we want to encourage you to keep up the good work.

>> Mayor Reed: Thank you.

>> Thank you. [applause]

>> Mayor Reed: I'd like to invite Councilmember Herrera and the raging waters San José if you want to come in. The largest water park in California. Regional family destination, a commitment to the community and a great place to have fun with your family. Councilmember Herrera has some of the details.

>> Councilmember Herrera: Thank you, Mayor Reed. I'm very excited to welcome raging waters San José the largest water park in Northern California. Joining us today, Corey Moore, director of sales and marketing plenty of San José youth work their way through college, by spending some time working at raging waters including some former employees. Jessica Miranda, then aquatics department, now, enrollment and outreach coordinator and student activities director at LPS SJ charter school. Jeanette Carlos, then started in ticket sales and was

promoted to lead supervisor, was also with the City of San José as a program liaison with Work2Future and now a Santa Clara County probation officer. Raging waters San José at Lake Cunningham regional park is a proud member of San José community. I'm also very proud to have them in District 8. For over 25 years, raging waters has focused on safe, quality family fun and supporting local organizations in our community. Raging waters employs 3 to 400 seasonal workers each year where they are trained in water safety, food handling and customer service. It provides significant opportunities to prepare young adults for future careers, as EMTs firefighters, police and probation officers, managers, educators and business entrepreneurs. Careers chosen by many of the community leaders joining us today. It takes a massive team of skilled individuals to operate this facility. Raging waters played a key role inspiring our youth but it's also been a significant community supporter enhancing Lake Cunningham regional park and businesses in San José. In fact, it donates over 2,000 admission tickets a year to community organizations and events. Most guests come to raging waters from the greater San José area.

However it has partnerships with about 40 hotels who package tickets with their reservations. Which encourages tourism. Raging waters is a leading entertainment company constantly innovating and adding more fun factor to their park. It is a largest water park as I've said in Northern California, offering over 23 acres of recreation, millions of gallons of family fun, and new attractions like bombs away opening on June 9th. I invite everyone to come to see bombs away, the first West Coast installation of this one-of-a-kind water slide at the ribbon cutting ceremony on June 9th. The ride begins five stories above lake Cunningham where your capsule door is sealed and then the trapdoor drops you to over 200 feet into the ground level splash. I can't say I'm going to be riding on that soon but the people behind me say they're all going to be on it. It presents an inspiring experience for riders and onlookers as translucent sections allow guests to watch as their friends and family literally drop from the fifth story height and wind through water slides in closed capsule. With that said, a special thank you to raging waters for your importance as a key employer providing development and motivation to our youth, your role as a family regional destination, for your commitment to the San José community, thank you, and I want to invite Mayor Reed to present the commendation and then Cory Moore will say a few words.

>> Thank you, councilmember Rose Herrera and all the members of the city council. We're very proud to be here today and most importantly we're a people business so this is a great opportunity to show off some of our success stories. There are thousands of people who have gone through our park and become leaders in this

community. And literally, Doris here has been our HR manager and revenue manager for 12 years. She has had a huge impact on youth as well as our other employees. Previous employees standing up here. The second thing that we wanted to I guess brag about is bombs away which Rose Herrera described quite well. It's not like any other attraction in the West Coast. You will be getting into a capsule, you'll be standing on a floor, and the floor will drop away, plummeting you 200 feet to a splash landing. We land at ground level at Lake Cunningham. So we're excited to bring that to the community and increase the draw to Lake Cunningham and raging waters. If you're not quite ready to throw in your swim trunks and test out the ride, we do invite you to come down on June 9th for the ribbon cutting. Everybody is invited to see the latest technology and water attractions as well as any day this summer we hope people will come down and at least one day to enjoy Northern California's largest water park. Thank you, and thank you to the City of San José, to the parks and rec department and the park and rangers and everybody who allows our business to thrive and be successful. Thank you.

>> Mayor Reed: Now I'd like to invite Vice Mayor Nguyen, Kevin Zwick and the housing trust to join me at the podium. We're commending the housing trust. Vice Mayor Nguyen has some of the details.

>> Councilmember Nguyen: Thank you, Mayor Reed. It gives me great pleasure to acknowledge the wonderful work of the housing trust of Santa Clara County. The housing trust was formed in 1998, through a collaboration of public and private agencies with intent to address a full range of affordable housing needs in Silicon Valley such as increase in home ownership, prevention of homelessness, and the availability of rental and permanent housing. For over ten years the housing trust has committed to making Silicon Valley a more affordable place to live by investing over \$33 million and leveraging \$1.7 billion to create more than 7800 housing opportunities for Silicon Valley families. With 43% of San José's renters unable to afford the median cost of a two-bedroom fair market unit, and 37% of renters struggling to meet housing costs, the work of the housing trust is critical in all aspect of the word. This organization sets a great example of how success can be achieved when the public and private sectors come together to work on a common goal. I want to commend Kevin Zwick and the work they do for families in our city. I'd like to ask the mayor to present the commendation to Kevin. [applause]

>> On behalf of the housing trust board and staff and our clients and our borrowers we just want to thank you for this recognition and this proclamation, helping to support affordable housing week. I especially want to thank Vice Mayor Nguyen for her advocacy and support of affordable housing throughout the city and I also want to thank councilmember Ash Kalra who we are very lucky to have as a board member at the housing trust as well as all councilmembers who came out to support us during affordable housing week, Councilmember Liccardo, Chu, Councilmember Campos and Councilmember Pyle. With this year we wanted to highlight the continuing need for affordable housing in our community. Housing groups all throughout the county put on 20 different events to look at and have a spotlight focused on affordable housing. Some of those groups are here with us today. We have Clarama Darvilis from the Silicon Valley leadership group, Charlene Kilgore of Project Sentinel, and Christine Burrows, the CEO of Envision. These events were focused on bringing attention to the continuing need for affordable housing. A lot of times we're asked hasn't the foreclosure crisis actually helped the affordable housing problem because prices have come down? But in fact having over 50,000 homes go into foreclosure over the last five years has absolutely exacerbated an already fragile affordable housing problem. So what we wanted to focus on was that these -- the affordable housing helped, what it's done is that it's taxed the rental housing stock, it's driven rents up and it's increased homelessness as well and I want to thank and point out the work that Mayor Reed has done to try to end chronic homelessness through destination home. So it's really important that we keep focusing resources and efforts on solving the affordable housing crisis. This includes reforming and not eliminating redeveloping redevelopment agencies, and protecting housing resources in Washington, D.C. And again, I just want to thank the leadership role that the City of San José, its elected officials and its staff who have played in trying to protect affordable housing here in San José throughout our state and this country. So thank you very much for this award. [applause]

>> Mayor Reed: I'd like to invite Sonia Stamper of the placement support services bureau and foster parent Jamie Ramos to join me at the podium. Today we're recognizing the month of May as foster care month in the City of San José. In the county of Santa Clara alone there are nearly 1100 children in our county's foster care system and approximately 400 licensed foster homes to help care for them. Throughout the month of May hundreds of community events are being held across the country to help recruit and support foster families. Serving as a foster parent can be an incredibly life changing and rewarding experience and we're

seeking people who in our community are willing to commit serving as foster parents to help the kids in our community. Encouraging our residents to get involved for children and families right here in Santa Clara County, it's something you can do very close to home. There's always something positive you can do to help our foster children and Sonia stamper has some more informational.

>> I'm going to let Mrs. Ramos speak first. She's one of our foster parents here in Santa Clara County.

>> I'd like to thank the mayor and the city council for recognizing foster families, and this is foster family month. On behalf of the foster families of San José I want to thank you for giving us this proclamation during foster care appreciation month. I personally know that there are many foster families in San José that don't feel like they are recognized for what they do. We are always being told this is a job. In reality, loving, caring and guidance with structure can't be a job for someone who loves children. Being a foster family takes a lot of -- takes a lot. Especially because these children need in so much and foster families are willing to give what they can. And more. Thank you. [applause]

>> I just wanted to acknowledge Ms. Ramos because she is one of our unsung heroes in this community. Foster parents, as I said, they're unsung heroes in this community. They take care of children who are not able to reside with their own families, oftentimes because of abuse or neglect. And they take in these children and they care for them like they were their own children. And then when children, if children are not able to return to their own families, these foster parents open their hearts even further and oftentimes adopt these children. So I'd like to thank Mayor Reed for acknowledging May as foster care appreciation month. We need more people to step up and become foster parents. If someone you know is interested in becoming a foster parent I have information to leave you today, I will leave it in the back of the room. We need more loving and caring individuals. I call on the community to help take care of our children and so thank you again.

>> Mayor Reed: Next item is the consent calendar. I have one request to speak open the consent calendar. We'll take the public testimony at this time. Mr. Wall.

>> David Wall: Good afternoon, Your Honors. Distinguished members of the gallery. Starting at item 2.3B, transportation and environment committee. I have opposition to using the storm drain fee for parking signs. This is -- can get too far afield too quickly. I do applaud Councilmember Liccardo for looking into a creative way to solve this problem. But this problem has to be solved otherwise. 2.4 I'd like to welcome back in our midst councilmembers Chu, constant Pyle and Vice Mayor Nguyen from being ill. Well, it says you were ill. But any case, I'm glad that you're back. But thinking of what you're going to do to working people, doesn't make me feel too well at this time period. The airport seems to be having increasing cost to it. And this is burdensome Mr. Mayor because of this debt service that's going to come due July 1st. So I'm really concerned about all these fees that are increasing. And item 2.14, AB 1167, Fong, the interagency council on homelessness, fails to separate vagrants, criminals and foreign nationals that are in the country illegally. So I don't think the city should support this. It should be a little bit more refined to take care of citizens. Thank you.

>> Mayor Reed: That concludes the public testimony on consent calendar. There are items that councilmembers would like to pull for consideration? Councilmember Rocha.

>> Councilmember Rocha: Thank you, 2.7 please.

>> Mayor Reed: Councilmember Constant, 2.6. Motion on the balance? Okay a request for 2.4. We have a motion to approve the balance of the consent calendar, everything but 2.4, 2.6 and 2.7. Councilmember Rocha I wrote it down wrong I think, 2.7? On the motion, all in favor, opposed, none opposed, that's approved. Item 2.4. Councilmember Chu.

>> Councilmember Chu: Thank you mayor, 2.4, the reason for Public Safety, Finance and Strategic Support committee is due to a meeting in the league of cities, in Sacramento.

>> Mayor Reed: All right, 2.6, Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. I just wanted to report out from a presentation that was made at the Federated retirement board meeting last week and that is an experience study that was conducted by the new actuary for the plan, Cheiron, where there is a number of recommendations being made to the board that will have a significant amount of implication. So I just wanted to review them for the council, and advise anyone who's interested in learning more to read the actual report. First, Cheiron recommended that an investment earnings assumption net of all investment expenses of 7.25 for future valuations. This would increase the City's contributions to the pension system of approximately 6.1% of pay. In making this recommendation Cheiron stated that San José is not alone in this area, that there's really a national movement to lower discount rates and that lowering these discount rates are really what will help the funds in the long term. They recommended reflecting the SRBR expenses as a direct cost to the plan. This, in turn, would increase the City's contributions by 1.3% of pay, in making this recommendation, Gene from Cheiron stated a quote that I thought was notable. Quote, the notion of sharing excess earnings is a dinosaur, unquote. It's important to note that this assumption change only addresses the direct cost of the SRBR program, not any associated volatility drag. They also recommended reflecting the administrative expenses as a direct cost to the fund. And this would increase city contributions by .5% of pay. Recommending lowering the most -- most of the termination and refund assumptions that are used in the actuarial evaluation. This in turn would increase city contributions by 1.8% of pay. And recommended increasing the life expectancy assumptions which again would increase city contributions by .7% of pay. Of course, all of these numbers are estimated until the actual evaluation is conducted. In aggregate what this all means is there will be an estimated increase in city contributions of 10.2% of pay based on current payroll that's about an additional \$32 million in contributions going forward. And not only on the employer's end but it will also have an estimated increase of employee contributions of another 1.6% of pay borne by employees. Cheiron cautioned us that when funds start to see a reduction in cash flow as we are seeing now not only due to the declining workforce but also the maturity of our fund, that dollar-weighted returns drop which in turn will require an additional lowering of the discount rate. This is due to the heightened sensitivity of short term investment returns with the negative consequences outweighing the potential positive consequences. They mentioned volatility drag. And just so that people understand what they were talking about, volatility drag is a reduction in expected long term earnings due to volatility. We've heard a lot about the markets rebounding and what effect that has. They gave a very simple explanation. For example if you had \$100 that earned zero percent each of two

years in a row you still have \$100. But one that earns 50% one year and loses 50% the next year ends up with only \$75 even though they're both if you add up the percentages they both come out to zero. That is in simple terms the effect of volatility drag. And this drag can further be exacerbated by negative cash flow which our fund is experiencing due to the maturity of the plan and the declining workforce. Gene from Cheiron did use the term death spiral in describing plans that are not addressing the issues, the negative cash flow issues that are facing much like our plans. His point was in order for us to avoid a death spiral, the system needs increased contributions over time and that the recommendations that they are making in these actuarial assumptions based on the experience study are intended to indicate the level needed to help start putting our system back on track. So I just thought it was important to give you that update. And again, this is on the Federated side. The Police and Fire side we'll be having an experience study similar to this. They have recently made the decision to engage Cheiron as their actuary, as well. And they will be starting their experience study when they have the initial results. I'll share them with you at a future update. Thank you, mayor.

>> Mayor Reed: Thank you. Councilmember Rocha you wanted to talk about 2.7.

>> Councilmember Rocha: Thank you mayor. I just ask a question. Is there anyone from the airport department?

>> Mayor Reed: That's the fourth amendment to the consultant agreement with Lee fisher Inc?

>> City Manager Figone: Yes, staff is here from the airport.

>> Councilmember Rocha: Bill, the additional work that's remaining on this contract, can you speak to that outside of what's in this memo?

>> Bill Sherry: Yes, Bill Sherry director of aviation, City of San José. Councilmember, this is just a contingent fee that's being established under this contract to allow us to evaluate air field and air space issues that may arise in

the coming year. Most notably and most probably surrounding OEI which is one engine inoperative. This is a set aside so we have the contract in place and the funds available should issues arise.

>> Councilmember Rocha: This has nothing to do with the height restrictions in terms of --

>> Bill Sherry: It does, that is what OEI is. We're not taking any action, not doing any studies, just putting this contract in place in this amendment so that if issues arise from the community we have a vehicle in which to be able to evaluate it.

>> Councilmember Rocha: Just having a vehicle thank you very much.

>> Mayor Reed: That concludes the consent calendar. Motion on three items. Motion is to approve all three items off the consent calendar. All in favor, opposed none opposed that's approved. That concludes the consent calendar. We're now going to turn to item 3.4, which is the City Manager's fiscal reform plan. In plan is in front of us today as a result of council action back in March to give direction to the City Manager to bring forward to us recommendations to solve some really serious problems that we're facing. Many of you have seen this chart before. We use it in our community budget sessions. As you can see, over the past decade San José's annual retirement costs have grown enormously. Vital city services have also been reduced repeatedly because costs per employee has grown dramatically and our unfunded liabilities have grown by billions of dollars. So from \$63 million back ten years ago to \$186 million in this fiscal year. To \$250 million starting July 1st. Out to probably \$400 million in 2015. And as you heard just a few minutes ago from Councilmember Constant the board's actuaries are recommending increases in those numbers. So they are not getting better. They're getting worse and the question is whether or not we'll hit that \$650 million number which our professional staff has estimated is where we're likely to end up, and at the \$400 million number is the best case scenario today. As a result of these increasing costs last year we reduced our workforce by 800 positions down to 4200 General Fund workers. Our police and fire departments alone today have 2400 employees. And now in this next month we are facing another huge budget shortfall, and looks like we're going to have to cut another 600 positions including police officers and firefighters that will drop our General Fund employment levels down to 3600 positions. And unfortunately, next

year, 2012, will just as bad with a shortfall over \$80 million. And climbing, as you just heard from Councilmember Constant. A year from today, all of us will all be here, this entire council will be here a year from today, sitting in these very seats, contemplating another huge shortfall and cutting hundreds more jobs. While we've had to look at as ugly cuts in our second-tier cuts category over the last month will be what we are faced with doing next year. And if we leave this unchecked, by 2016, these increases, even if they only go to \$400 million, will drive our General Fund staffing down to about 3,000 employees. In fact we are going to be close to that number in about 14 months with the cuts that we're having to contemplate. Greater increases of retirement costs are likely, as the actuarial assumptions such as life expectancy, retirement ages and rates of investment return are modified by the retirement boards to reflect modern conditions, and as Councilmember Constant reported, they're in the process of doing that. So if we fail to act and our retirement costs grow to \$650 million in 2016, the ranks of the General Fund employees are going to shrink down to 1600 workers, leaving us unable to provide vital services. I don't believe it's possible to run a city of a million people with that few employees. No matter how dedicated they are, no matter how hard-working they are, are we going to have a single public safety department that's mostly volunteers and maybe a couple of libraries or community center and not much else, that's crazy. We cannot allow that to happen. But there is good news and the good news is we don't have to allow it to happen. We have the power to save our city but we have to act and we need to act now if we're going to have any impact on the 2012 problems. Which are huge. And that's why we have in front of us today recommendations for action to avoid a fiscal and Public Safety disaster. It's clear that some of these recommendations have significant legal risk. But failure to act has enormous risk with terrible consequences for the people our city. It's true the cost of a special election, litigation expenses could be in the three to \$4 million range but the cost of not acting will be a thousand times worse. As retirement costs go up by a couple hundred million dollars a year for 15 or 20 years, that's three to four billion dollars. That's the magnitude of the problem that we're facing. Now, before we discuss the recommendations that have been laid out for fiscal reform I do want to acknowledge that there are some alternatives. First, we could just continue to lay off people and shrink our workforce. Probably by half or more. We could continue to cut the pay of our employees, probably by half or more. Or we could stop increasing our contributions to retirement plans, wait for the litigation and ask a bankruptcy court to cram down benefits by half or more. Or I think for obvious reasons, the recommendations for fiscal reform that are in front of us are by far the best course of action. The recommendations include making modest changes to future retirement benefits on a

permanent basis, and some more significant changes to future benefits that may be needed on a temporary basis. But the bottom line is we want our employees and our retirees to receive the retirement benefits that they have earned and accrued, making changes now to slow down future increases in benefits will allow us to protect existing benefits. But failure to act now will require drastic reduction in benefits later. So I'm seeking everybody's support to avoid this looming disaster. Not in some distant time in a far away place but in our time in our city. It's too late to avoid the layoffs at the end of June but it's not too late to have a major impact on 2012. If these fiscal reforms are implemented as recommended we could see a savings in 2012 that would allow us to restore some services in January and avoid layoffs a year from now but we have to act now. Time is not on our side. We need to place these in front of the voters in November, so that changes in future retirement benefits can be considered by the retirement board's actuaries before they finish their work on the 2012 contribution requirements and hand us the bill. I want to thank our hardworking professional staff who identified the problem and brought us solutions. I want to thank our union leaders who have been willing to acknowledge that we have a problem. Particularly the Police Officers Association who retained outside actuaries and forensic accountants to come in and look at the numbers and verify that we have a problem. Now reasonable people may differ on what to do in this time of crisis. But none of us can say we were not informed. None of us on the dais, none of our union leaders, none of our employees can say I did not know there was a problem. I was not aware of the risk of not acting. So we are all going to have to take responsibility for the decisions that we make. The recommendations in front of us include direction to the staff to meet and consult with our bargaining units on these potential ballot measures and to engage immediately with those unions willing to acknowledge the retirement cost crisis, and those that desire to engage constructively with alternative solutions. If some of our unions continue to refuse to talk to us about changes in retirement, we'll have to move ahead without them but we welcome the opportunity for them to engage with us, with our professional staff, to help us find a way out of this problem. That's what we're trying to do. And we start with the recommendations that the City Manager has put together on council direction, which are in front of us today and like to turn this over to Deb Figone to explain her recommendations.

>> City Manager Figone: Thank you, Mr. Mayor members of the council. We are here today to discuss my fiscal reform plan and the plan was developed at council direction, through the council's adoption of the mayor's March

budget message. So just to recap the direction that we received. Which is on the slide in front of you. First of all the plan was released on May 2nd, and in accordance with council direction, it seeks to achieve \$216 million in General Fund savings in five years, and to roll back retirement costs to the fiscal year 2010-11 level. It also directed the staff to restore police fire, library and community center service to the January 2011 level and to open libraries and community centers, fire stations built or under construction and the police substation within five years. So that direction is on the slide in front of you. We did have an extensive study session on May 18th. The purpose of today's presentation is to briefly highlight the entire plan so on the cost savings side of the direction there were several areas that we were asked to include. Those again are enumerated here. They include reducing compensation for existing employees, avoiding increases in retirement costs as I mentioned beyond the amounts paid for this fiscal year. Re-forming workers compensation and disability retirement systems, reduction cost for sick leave payouts, vacation buy backs and overtime pay. Modifying our health care plans and pursuing cost sharing strategies and then making organizational changes and finding efficiencies in those changes. There were several key principles that were in the approved March Mayor's budget message. As staff and I put together this plan we also reflected on the other areas that we wanted to consider in the recommendations in this plan, and so I will enumerate those now. First of all, with the balance and fairness to taxpayers and our residents, to our employees and our retirees. We also wanted to ensure that the plan was as reasonable as possible, recognizing we're not going to satisfy any one group with what's in this plan. We wanted to consider the legal risk, balanced with the financial consequences of doing nothing and the last one was very important to me, and that was to share the sacrifice between current employees and retirees. As we state in the plan if we leave any one population you know, protected from changes, then the burden falls to the other populations. This is a recap of some of the key recommendations, except for retirement and revenues which are on other slides. Again, I will highlight these briefly. First of all, in the area of reducing compensation, this is the 10% total compensation already directed by council. I'm not recommending at this time any further compensation reductions for our employees. The second category is workers compensation and disability retirements. And this is where we would continue to proceed with the implementation of items contained in the City Auditor's audit on this topic, including the workers compensation offset. We would also continue with the current council direction to eliminate sick leave payouts, vacation sellout and changes to overtime. Regarding organizational efficiencies, what we did include in the plan is the value of what's currently included in the proposed budget. We will continue to analyze and

implement organizational changes as a routine matter of how we do business in the city. And so that will remain very high on our priority list. Now, there are revenues assumed in this plan. As the council asked us to consider. They're on the slide in front of you. Now just to highlight those, we are assuming \$46.5 million in new revenue over the five-year period. A sales tax increase of one quarter cent to generate \$34 million. A tax on gross receipts from the municipal water system for \$2.5 million. A modernization of our business tax for about \$5 million and an increase to the disposal facility tax for about \$5 million approximately he let me say as staff we included a potential time line for these revenue measures and our experience as council knows over the last few years, you have brought revenue measures to the voters on a few occasions, and our experience with staff is, given the amount of time it realistically takes to go through the process by where you would come to your decision as to what you would place on the ballot and how many at one time, we've laid out a potential time line. However, at the end of the day, this is not really a technical staff call. This is a public policy political call. I would also though, like to remind the council that our current library parcel tax does sunset in 2014. And that is not shown on this slide. It will be important to factor your strategies into the mix, as you consider bringing that parcel tax for renewal to the voters. That parcel tax currently generates approximately \$7 million for library services. In the area of retirement reform, again we did a thorough presentation last week, so this is just a brief overview. To remind everyone how we set the target for savings. Again, the direction was to keep retirement costs at the 2010-11 level. So if you look at the slide that is in our -- or the graph that's in our report, and then also the one that the mayor just opened with, you will see that very simply, the math which takes the \$400 million, probably minimum projected cost for 2015-16 and take from that the current level of \$186 million you see that our target was just under \$215 million. Now, this is all funds. And as our report says, it's very difficult to specifically target the General Fund amount. But generally it's about 78% of the all funds amount. So to recap the recommendations in the retirement area, you see them on the slide in front of you, would be to eliminate the SRBR, for \$4.7 million in savings. And the area of retiree health care, ruse retiree health care premiums by 25% would save us just under \$18 million. In the area of new employees, our recommendation is to implement a second tier for new employees, that's a hybrid plan not to exceed 12.4% of normal cost with the cost-sharing of 50-50. Again, because this would be for new employees, we do not have an estimated savings at this point in time. For retirees, to reduce the cola for retirees to 1%, maximum based on CPI and that would generate our estimate is about \$28 million. And then for current employees to reduce future benefits accrual and again, to implement the cola, to 1%. That would save \$166

million. So the total General Fund savings shown on this slide over the five-year period, as we mention in our report, the goal was \$216 million but you can see here, to allow for room for different decisions or perhaps in the case that savings aren't achieved, we have a bit of a cushion in this array of savings. And I do think it's important, as was already mentioned, that having a cushion is important, because it is likely that there will be further cost escalation on the retirement side. There are some important questions that need to be answered as the council provides our direction, as we discussed last week one very important question is, that we'll need to be answered today is how much risk is the city and our taxpayers willing to take in a defined retirement system for city employees. And then to recap our recommendations on the last slide. Our recommendations are to accept the fiscal reform plan, to direct staff to proceed with the necessary steps to implement the plan, including meeting and conferring with our bargaining units, as applicable. And it is very important that today, we receive clear council direction on alternatives or amendments to the plan. As has been indicated, from my perspective, time is of the essence. Our plan does assume an effective date for tier 1 and tier 2 changes to be effective January 1st 2012. The 2012 shortfall is going to be at least 78 million based on current projections and if we are going to be able to factor in any savings into if development of that budget we need to initiate discussions with our bargaining units and retirees immediately. Again, however, we do need clear reduction in order to have a productive set of conversations. And that concludes my report. We're open for questions.

>> Mayor Reed: Thank you, City Manager. I'd like to take a moment to explain some of the recommendations in the memorandum that I signed along with Vice Mayor Nguyen, Councilmember Herrera and Councilmember Liccardo. There are some modifications that I think we should make before we vote on it. Let me just explain what those are. First, in the first recommendation, which is to declare a fiscal and public safety emergency, rather than make that declaration today, I would think we should modify that and direct staff to return to the council on June 21st with a formal declaration of fiscal and public safety emergency. Instead of doing that today, we need to put the record together. And we contemplated bringing that back on the 21st. So the schedule is the same. This is just that we'll have another few weeks to add to the record before the council might take action on it. That's in recommendation A. In recommendation B which is to amend the charter in order to limit retirement benefits and require voter approval of increases in retirement benefits there are two things that I would like to add to that. First, I would like, as staff works on this, is if they can consider how we could make that section temporary. It's

contemplated now that it would be permanent. But, you know, there are some scenarios in which it could be temporary and we ought to think about that as it relates to the crisis that we're in. There's hope some day being out of crisis. And so that would be one thing to figure out a way and this is probably for if lawyers to work on how to make it temporary. And the second is for staff to figure out how we can allocate the savings from these changes on retirement benefits, specifically to help save the cost in the pension plan itself as we're trying to save the pension plan we want to make sure we allocate the savings on these changes towards the pension portion of our problems. Another area that I think we should probably talk about here before we -- and I'm sure we will talk about it -- is the concept of a middle tier for existing employees to opt into. Councilmember Rocha has a memo out and I know some others have an interest in this opt-in thing and I think that has some merit. But there's a category of actions I'm recommending that we take to place additional limitations on growth in retirement benefits if the fiscal and public safety emergency gets worse. That has a three-year time period on it. So that until things get better or at least stable for three consecutive years, these provisions would be in place. And I'd like staff to analyze that, cannot be shorter than three years? I know we have an issue of it blinking on blinking off, and the administration we should consider that in the next few weeks. And the final set of changes to the recommendations are in the category of amending the charter to -- in order to require voter approval of increases in other benefits until the emergency is passed and essential services have been restored. There are a list, A through L, and on that list there are two references to retirement. And I think we should just pull those out. Because we have a full section on just retirement benefits. So these would not include anything to do with the retirement benefits. And those would be my recommendations for consideration by the council. And would invite discussion on all of those and everything else, of course, if that would turn to Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. First of all, I definitely agree that we need to evaluate all potential options. And I think that analyzing the options that you have laid out are very important for us to address the problem. As well as fully analyzing the recommendations that Councilmember Rocha put out. So I think those are reasonable things to do. Would I like to offer one other area and Dave has just put it on the screen for you, and that is that we also analyze an opt-in plan. And what I'm hoping to do here is to create a box of sorts from within which are retirement services and Alex and Deb and everyone can work together to find the best possible benefit that we can provide given this criteria. And the criteria would be that the total city contribution is not to

exceed 50% of today's current normal cost. That there are increases to the retirement ages in each of the plans, that there is a reduced level of CPI with a cap, and that actuarial evaluations are to be based on an assumed rate of return that has a 50% probability of currency as outlined in the previous presentation by the retirement services department which I believe was around 6.5% assumed rate of return. That the final average salary calculated is calculated as an average of the final three years of service, an elimination of the SRBR program and of course, leaving room for our professional staff to opine if there's any other issues or modifications that need to be put within that plan, so that we can achieve our goals and that being reducing our normal cost and reducing our exposure to unfunded liabilities is as people opt into that. I think when it's time for a motion, I hope that that is included in the motion. I want to -- I don't want to make a motion right now because I think we need to have discussion as we go forward. But I think it's important that we look at each of these actions. And I think it's also important as I've mentioned before, that when we analyze the opt-in plans we don't just simply analyze what if 100% of the people go into it? There -- we're going to have to look at how we might be able to make assumptions, much like our actuarial evaluations are made, where we look at different ranges of what could be envisioned or projected for participation. And not just pick one, and make a calculation, but a series of different scenarios, so that we can truly make an informed decision and that goes for the plan that Councilmember Rocha put forward, this potential plan, the plan that the mayor has put forward, any other permutations that we're looking at. Because we have to look at the best case, the worst case and the most probable case of how people will opt-in. I think that we also need to address at some point what we're doing for future employees and that's a whole 'nother discussion that we're going to have. But I think we need to look at what the tier of employees or the tier of benefit for future employees will be. But I understand that our issue right now is addressing our immediate concerns and that concern is the fact that we have basically a cash flow crisis in our city because our cash is getting diverted to one area of many areas of service that we need to provide between our residents and our employees. So I think that's all I have now. I'll probably have more comments as we get different variations. But I wanted to throw that out so everybody has an opportunity and did I provide this to the City Clerk so they have all the details. Thank you, mayor.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I'd like to take Councilmember Constant's lead and put a motion on the floor so we can have something to work with. I'd like to approve the recommendations, move to approve the recommendations made in the mayor's memorandum. As modified, which of course incorporates the City Manager's memo as well. And that of course includes the deferring the declaration of fiscal emergency with return to council on June 21st with draft language relating to that declaration. And when we do return on the 21st, we'll ask staff to come back with full cost analysis both as percentage of employee compensation as well as some estimate of the aggregate dollar value of the two middle tier proposals that we've heard about before, Councilmember Rocha's and Councilmember Constant's along with the mayor's. And with the mayor's I would also ask that in addition to evaluating it as a -- as a mandatory set of benefits, imposed on current employees, it also be evaluated as an opt-in tier as well. And let me explain. With these opt in tiers and again as suggested by Councilmember Constant, it seems that staff should apply some sensitivity analysis around various assumptions about what percentage of employees might opt-in and what the likely demographics, particularly the ages of those employees would be. And in each case the analysis should apply the same for investment return assumption and that should be the 6.75% investment return assumption staff has determined to be the assumption that we have about a 50-50 probability of actually reaching in our retirement plans. So I would ask that those approaches be applied to all three of these options when we return on June 21st. And in the meantime we'll continue discussions with bargaining units regarding various options for reform. And explore opportunities to achieve points of agreement.

>> Mayor Reed: I think that was a motion. If there's a second?

>> Second.

>> Mayor Reed: Vice Mayor Nguyen had the second. Anything else, Councilmember Liccardo before we move on? Vice Mayor Nguyen.

>> Councilmember Nguyen: Thank you, mayor Reed. Let me just start out by thank being you for your leadership on this very critical issue and also thank you for the modifications that you made in the memo that I co-

signed along with councilmember Rose Herrera and Sam Liccardo. I also want to thank councilmember Don Rocha for his leadership in your memo. Lot of direction in terms of coming up with the modifications and I think we'll have a really lively discussion the next couple of hours. And also I wanted to commend Councilmember Constant for the opt-in plan. I think we have a lot to work with here. And I think that the mayor's memo actually set the tone and the foundation for this discussion today. So I just wanted to thank my colleagues really for their participation in this critical debate. Councilmember Herrera and I also voiced our opinion about the ongoing structural deficit and the looming fiscal problems that our city is facing in the Mercury News over the weekend. There's really not much else I can say about what's wrong with our current pension and retirement system. The increase in retirement pension cost are beyond control. And if we don't address this we can lead the city into bankruptcy in the years to come and definitely that's not something that we look forward to nor our residents. So it is my hope that we don't just focus on what we've done wrong in past years. But that we should focus on what we need to do right with the future years. And the years that we are here serving our residents. Every day I come to work I'm reminded that I need to make decisions and put residents that I represent and I serve in mind, and not to be pulled one way or another depending on what pressures I have to deal with that particular week. And I think this is one of those issues that put all of us in that bind. And so I really wanted to thank my colleagues for being cordial with each other and give each other respect so we can have a more constructive debate. At the end of the day, we all want to do what's right by our residents. They deserve to have the libraries and community centers open. They deserve to live in a safe city with adequate police patrols in the street and they deserve essential services and I think it is our responsibility to deliver those services and these services have to be adequate and if you compare it to municipalities that have similar populations as the City of San José, and I think this is what the fiscal reform that the City Manager put out, that's what it's all about. And the recommendations in the mayor's memo, that's what we're hoping that we can accomplish. So the recommendations and the modifications that we made are not intended to punish city workers contrary to what the public perception is and has been for the last several weeks. It's definitely not an attack on public employees. I value and I appreciate the work of the employees -- [Laughter]

>> Mayor Reed: All right I'm going to ask everybody to be respectful. You'll have a chance to speak later, calm down and let people speak.

>> Councilmember Nguyen: And regardless whether you laugh or not, I still think that you do great work, and we appreciate the work that you do in our city, and this is definitely how I feel, and this is my belief. And I think that you've done great work in the last ten years with the limited resources that you have. So we're not leaving you out in the cold with the proposal that we're making. All we're asking is for reasonable reduction so that our budget isn't divined by pension and retirement accounts. We can't keep on taking funds away from community centers and libraries or even public safety services to pay for retirement costs. I can't imagine going out in the community with my chin up and tell the people that I represent that next year your branch library is going to be open every other day or the following year tell them that I'm very sorry your library will be open one day per week. That's worse than living in a third world country and that's not what I came to America for. So I'm hoping that some of the things that we're trying to do and trying to propose is something that is better than what some of the other countries and third world industries are dealing with. And so that's why I signed on to support the mayor. I hope that again it just lays the foundation and it sets a tone and it gives my colleagues an opportunity to come up with different options and variables and alternatives so that we can have a debate. And I think that we achieve that methodology because Councilmember Rocha actually came up with a really good memo and I think that it gives us room to debate that today. And finally I just wanted to encourage the unions and also anyone who is interested in this issue to work with staff and continue to work with staff. We need to -- your ideas and we need you to come to the table so that we can come up with solutions that will benefit our residents. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor and I want to thank Vice Mayor Nguyen. She said it very well. First of all, I want to also thank the mayor, and the mayor's leadership in addressing this fiscal crisis we find ourselves in. It's not a pleasant message. This message is a horrible message. And when you are the first one to sound the alarm there can be a tendency to want to shoot the messenger. But facing \$3 billion of unfunded liability, that's including the \$1 billion of unfunded health care, also, and facing continuous layoffs and service cuts, I have to ask myself, when do we reach the point of no return? How small does our police force have to become before our city simply doesn't function as a normal city? So that's -- the reason I signed on to the memo

is because I strongly support taking the steps necessary to avoid becoming the next Vallejo. I am truly worried that if we don't do something that we could end up needing to take the action of filing a bankruptcy. I have confidence, though. I have more confidence today, actually, that working together, with the city staff, with my council colleagues, with our employee groups that we can solve this problem. I want to thank -- I also want to thank my colleagues Don Rocha and Pete constant, for their ideas, Don Rocha's memo on reform. I think this is about look at the best ideas and incorporating them and certainly if there are other ideas out there that work I'm certainly open to incorporating those. As we've said the staff is going to cost these things out and we're going to look at all these options and at the end of the day, the math has to work. It just has to solve the problem. It's really not -- there's not much more to it than that. So I'm very hopeful that we can find the best outcome here, that we can solve these problems so that we can move forward and be able to restore services to our community. Everyone here is -- has a great deal at stake. All of us do. In making sure that we move forward. I'm very concerned about our city and its survival. Our employees, the people that live in this community and I know everyone here is too. So I believe that we're all in this together and that we all solve this together or we all sink together. I hope we can come together and move forward, that is my hope.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. Thank you, Vice Mayor for the kind words and also my colleagues Councilmember Herrera and Councilmember Constant. I'd like to ask the maker of the motion to include a friendly amendment to include the recommendations in my memo dated May 20th.

>> Councilmember Liccardo: Councilmember Rocha, we've explicitly incorporated your suggested model as one that would be scrutinized and analyzed along with the other two, whichever recommendations, let me turn to the memorandum. You're referring now, I know you have two memoranda, you're referring to the one dated May 20th?

>> Councilmember Rocha: May 20th, right.

>> Councilmember Liccardo: Which of the specific recommendations?

>> Councilmember Rocha: As I heard from my colleague, the opt in and the certain specifications to the cola and other items, but I'm looking for recommendation number 1 the first tier, the 2, I believe which includes that's the cola, number 3 which is the definition of a second tier retirement system. Well generally honestly the language that's included in my memo in its totality. And it's a duplicate what my colleague just suggested then I'm happy to defer to his but any -- any gap I would like to include my memo in any direction within it.

>> Councilmember Liccardo: Sure. I don't see what was left out honestly so --

>> Councilmember Rocha: Then I'm not sure what the problem would be.

>> Councilmember Liccardo: Right, I'm happy to incorporate it.

>> Councilmember Rocha: Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I'm a bit confused, and a little bit out in left field. You referred, Mr. Constant, to the proposal that you put together. I don't have a copy of that. Was that forwarded ahead of time?

>> Councilmember Constant: No, it's on your screen right now.

>> Councilmember Pyle: Well, normally, just as courtesy demands, we all are given a copy of this ahead of time. I think it's highly irregular to propose -- [applause] [cheering and applause]

>> Councilmember Pyle: Are you proposing -- are you proposing that that be incorporated into some of these things or what is it that your wish is?

>> Councilmember Constant: I am not proposing any policy shift whatsoever. I'm just saying that in addition to the mayor's memorandum which has a lot of components of change, and Councilmember Rocha's.

>> Councilmember Pyle: So you are adding it to the mayor's memorandum?

>> Councilmember Constant: To be analyzed by staff, not -- yes, take a look at this in addition to what --

>> Councilmember Pyle: So it's like a third proposal?

>> Councilmember Constant: A third analyzation, yes.

>> Councilmember Pyle: I don't know what the -- would you like to weigh in on this attorney Doyle?

>> City Attorney Doyle: This is a -- this is a debate, a discussion on the various alternatives. This is one of them. And certainly it can be made as part of a motion to hook at something else, as more specificity, you're right it's usually provided in written form, and it's written form on the screen and staff can add that to the list of what they should think about and come back on the 21st.

>> Councilmember Pyle: Okay, thank you. And then in reference to the mayor's proposal, and also, in addition to just information that we should have now, before we do anything, I would like to say that on March 22nd, I have it here in the memo, that I put out at that time, ahead of the meeting, I asked for some information regarding the proposed opt-in program. I have yet to receive one ounce of that information. So I'm trying to incur enough faith that we're going to be able to do this by June 21st. And I want to get some sense from staff of whether or not this is something that is doable. That this information that we're requesting, now from three different sources, can be provided by June 21st.

>> Alex Gurza: Councilmember Pyle, Alex Gurza, Director of Employee Relations. Yes, if we have specific information scenarios, we could work towards providing the cost estimates for those. And regarding your particular request, which was a costing analysis of the San José firefighters proposal, we did put out an information memo to you to the entire council that is posted on the Internet that provides various costing scenarios depending on the earnings assumption that was used. The key question that comes into opt-in programs is estimating how many people would opt in. And the savings really is dependent on how many people opt in and beyond that the demographics of the people that opt in. We've been advised by the Department of Retirement services that simply estimating the number of people that might opt in but the demographics of those employees --

>> Councilmember Pyle: But I still don't know what the savings would be and that's what I requested.

>> Alex Gurza: Yes, but I think one of the ways to measure the relative cost of one plan versus another is to compare the normal cost. So for example, using an earnings assumption that the council would like to use, whether that's the 6.75 or 7.75 and decide whether that savings, that gap or that difference, is a sufficient difference. So for example, in the slide that was up there that Councilmember Constant, the way I understood that is to come up with a plan, that reduces the normal cost by 50% or in half. Using the 6.75% assumption.

>> Councilmember Pyle: I think we're talking about two different things. I asked for what would the figures be if -- let me read it here. 15% of the members joined in, if 30% joined, if 45% joined in. That was information to give us some idea of what relief there would be from second tier.

>> Alex Gurza: Yes and perhaps I might call upon our retirement staff to potentially talk about the issues related to using those assumptions. If you just say 15% are going to opt in, what they've advised us is it isn't simply taking 15%. You'd have to know the demographics of that 15%. So we gave you, for example we gave you in the presentation last week samples of an opt in and told you the savings if 100% opted in. The problem is that if 50% opt in or 25% you can't just divide by that percentage. Let's say only 25% opted in. What they've advised us is you

can't say that's one quarter of the savings because it depends on who ends up opting in. And that's one of the challenges --

>> Councilmember Pyle: But we don't -- here my dilemma. If we don't have figures we can't make cogent sane decisions. And that to me is a huge, huge problem. [cheering and applause]

>> Councilmember Pyle: Sorry. I would prefer that you didn't do that. So we -- for example, let me ask one question. We talk about, in our budget, that 50% of the unfunded liabilities, what does that mean? What is that 50%? What is the 50% of the unfunded liabilities, for police, fire and Federated?

>> Alex Gurza: I'm sorry, councilmember, you're referring to which 50%?

>> Councilmember Pyle: Well, when we talk about what we need to save, we said that 50% of the \$115 million, was for the pension fund. So what I don't know is, what is that figure?

>> City Manager Figone: The -- I think what you're referring to councilmember, of the \$115 million shortfall that we're balancing to this year.

>> Councilmember Pyle: Yes.

>> City Manager Figone: About 50% of that problem is a result of pension increase.

>> Alex Gurza: Of the additional cost of the pension.

>> City Manager Figone: Of additional cost over what was assumed in the forecast.

>> Councilmember Pyle: So you are or you're not saying that if you divide \$115 million by two, that part is part of the unfunded, it would be about 65, 70 --

>> Alex Gurza: No, the unfunded liability is a completely separate issue. I think the issue is of the \$115 million General Fund shortfall that the city faces about half of that is due to increase in retirement cost. And retirement cost are not only unfunded liability. The normal cost goes up as well as the unfunded liability portion. So there are two different concepts.

>> Councilmember Pyle: Well you can see from our conversation that there is a lot of conversation that needs to go on. We need to have rich dialogue in reference to what it is we're actually trying to do. And I need more confidence to be built in so that I know that in that time frame, we will be able to get sufficient information, so that everybody knows exactly what the status is.

>> Mayor Reed: City Manager.

>> City Manager Figone: Yes and councilmember -- [applause]

>> City Manager Figone: That's actually a great introduction to a question I have of Alex. Because I do appreciate the collaboration going on among the councilmembers in providing direction. My concern is, your expectation of us beginning tomorrow, once you have direction, and what I don't want is the bargaining units to be frustrated because we're still in study mode, and can't pass across the table a proposal to them. So what I would like Alex to describe is, given this direction and we might receive more, by the end of the session, what can the council expect, what can the bargaining units expect in terms of what can happen at the table beginning tomorrow and what can't happen.

>> Alex Gurza: Well, if I'm understanding the motion correctly, as amended, there would be a significant analysis that we would have to do to come back to the council by June 21st to make a decision of what route we want to make. For example even on the opt-in program my understanding is we would come back, estimate the cost of Councilmember Constant's idea, estimate the cost of Councilmember Rocha's idea and come back. In terms of meeting with the bargaining units we can certainly meet with them get their ideas but unless I'm misunderstanding

the motion, we as the city's negotiators would not yet be able to pass a proposal across the table until we come back to you on June 21st, provide you with that information and you provide us with direction as to what exactly you would want us to propose.

>> Councilmember Pyle: I never thought it would be you that would be providing all this information. I was asking it of staff for example.

>> Alex Gurza: Yes, Councilmember Pyle, we wouldn't be crunching the actuarial numbers. But I think what the City Manager is referring to is we don't want to have expectations that we'd be able to start making promotion tomorrow, based on this particular issue of the opt-in program. We'd have to come back, have our Department of Retirement services assist us in doing this cost analysis, come back to you on June 21st. Now the question would be whether we'd be able to make proposals on the other elements other than an opt in program between now and June 21st.

>> Councilmember Pyle: So I'm going to ask the question again: How confident are any of you who will be putting this information together and I'm not quite sure whom it would be. It would be the City Manager's office I would imagine how confident are you that this information would be available by our deadline of June 21st?

>> City Manager Figone: We will do our best, councilmember, that's all can I say. This is going to take a significant number of resources to staff this project. And I think that's very rude, staff. And we will do our best. So if that's, you know all that we can commit to. We will make your deadline.

>> Alex Gurza: To clarify expectations again about the opt in program, we could come back with a normal cost estimate. What would the normal cost be under the earnings assumption that you see. What I think we need to be very clear on is, we would not be able to assure you on what level of savings that would achieve. Because it is dependent on the number of people and the demographics of the people who opt in. So again, they would be simply very wide estimates. But you could at least compare what is the normal cost of our current benefit, compared to the normal cost of this potential opt-in program. So for example, if you take the Police and Fire

combined normal cost, under a 6.75% earnings assumption it currently is almost 49% of payroll. So when we come back you can compare 49% of payroll to whatever the opt-in program might be. And similarly with Federated. You'll be able to get a sense of the difference between the two but again I can't stress it enough, opt-in programs are very difficult to estimate what savings you'll end up with at the other end.

>> Councilmember Pyle: As long as we had some formula with what we would be dealing with.

>> Mayor Reed: Before we leave the opt in the City Attorney wanted to comment on legal.

>> City Attorney Doyle: There is a legal issue on the implementation of opt-in. There are a number of entities that have adopted it but have yet to implement it because of an IRS tax issue which the issue revolves around pretax vs. post-tax. Currently they are pretaxed and there is some question under current law as to whether or not if you have an opt in plan that would continue. I'm advised there are 22 entities with private letter ruling requests from the IRS, the most recent or most known or well-known to us is Orange County. That has been pending for nine months. The Treasury Department is anticipated to make a ruling soon we're told and it could be as early as June but it's anybody's guess. I just want to identify the issue. It doesn't prevent you from adopting a plan but the implementation may be another issue.

>> Councilmember Pyle: And then one last question. By combining the two and then bringing them back for the 21st, we're not necessarily putting evaluations in either proposal right now. Would that be accurate Mr. Mayor?

>> Mayor Reed: Yes.

>> Councilmember Pyle: Thank you. So I would be in favor of moving forward.

>> Mayor Reed: We're trying to move ahead with this direction. The council would not make a decision until June 21st and ultimately if we go to a ballot measure that would be August 2nd.

>> Councilmember Pyle: So even if I disagree with certain components of your proposal, or whatever, I -- that isn't what this is about today. This is just simply referring it to a later date to be decided, would that be --

>> Mayor Reed: Well, we're making some decisions today but ultimately the decision is whether or not to implement based on the direction that council gives, which we're not going to give until January 22nd or -- January -- June 21st. Because we're bringing this back with additional analysis. But we are trying to move it in a direction, as is -- to move to implement the manager's recommendations which, there are 60 pages of them. There are a lot of recommendations and almost all of them evolve meeting and conferring and doing an analysis. We are moving this ahead, we're not just going to standstill because I want the council to be in a position where the council can make a decision on August 2nd because of the very importance of getting a decision made in time to have an impact on the 2012 budget because of the serious shortfall in that year. But yes. The decision is not being made today, ultimately the council has to decide after this analysis has been done.

>> Councilmember Pyle: Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you mayor. You are getting to some of the questions I wanted to have answered. One of them was the declaration of fiscal emergency. So basically today we're pushing off making the final decision to the 21st, however, we're analyzing the language in the memos that include declaring a fiscal emergency. And so what I'm going to ask the attorney is, if you could give us the likelihood of whatever actions we take on the 21st, and subsequent, if it goes to the voters, whatever action and you know happen at the ballot box, what's the likelihood of this getting litigated and what are we looking at? You know, in terms of delays? I mean, does this basically, regardless this gets litigated and we're back to square one where we're on the hook for a lot of money? [applause]

>> City Attorney Doyle: I -- I think the council is aware that there is legal risk. I think the council is aware that litigation is very likely if one or a number of proposals is put into effect, particularly with respect to current benefits

or either to -- for employees or retirees. And litigation would be costly. And I think I don't want to speculate as to what happens in the event we prevail or if we don't prevail, just to say that it would be costly and lengthy.

>> Councilmember Campos: So as we're sending staff back to give analysis on the combination of the two memos, I would like to see included in the analysis, if you could give -- I mean if a legal analysis can be included in that, because again if we're making decisions, that are going to put us at risk either way, I think that should be included in the staff report, if that's possible.

>> Councilmember Liccardo: That's not part of the motion.

>> Councilmember Campos: Can I make a friendly amendment to include it?

>> Councilmember Liccardo: No, I wouldn't accept that. [applause]

>> Councilmember Campos: Okay. Okay, thank you, those are my questions.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I also wanted to add my appreciation to the leadership of mayor and also Don Rocha and thanks for all the union members that have already accepted a 10% cut. I do share all those worries, that the previous speaker had. But I just wanted to add, another one of my biggest worry is that we overcorrected the problem. As I stated in the study session I'd like to when we move forward, I'd like to direct the city staff to make it as simple as possible. I heard Councilmember Pyle's concern whether we'd be able to meet that June 21st date. I really also doubt that. So I would like to look at Councilmember Constant's proposal, you know, as something that we can include in half a page, and I start liking it already. But I don't really totally agree on the contribution limit. But I have stated many, many times, I think one of the -- one of the changes that we can make could have a significant impact to our future liability, is the increasing of the retirement age. So you know, I would really like to simplify the proposal and just have the staff looking into the opt-in similar to what POA has

proposed. Because we don't have anything on the table but POA, they do. Look at their opt-in as an example. And then also, come back with the analysis on increase the retirement age to what was proposed in Don Rocha's memo. Thank you.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. In regards to some of the suggestions in mayor and -- the mayor's memo, some of which looks at putting ballot language, puts dramatic constraints in our ability to govern, in our ability to negotiate contracts with our employees. And frankly to serve our residents. Because if we can't negotiate contracts in a meaningful way it's going to be very challenging for us to serve our community. One of the proposals is that the pension cost should be limited to 1%, to CPI, to 1% or whatever is lower. I don't know Alex if there's an estimates as to what the future growth of CPI is but I think what might be helpful to know is what the difference in the 1% and the projected growth over the next you know five, ten, how many ever years what that projection, what the projected CPI is versus a 1%. I don't know if you have that information. If not that is something I would like to know.

>> Alex Gurza: Yes, no, Councilmember Kalra we don't have any estimates of what CPI will be in future years.

>> Councilmember Kalra: But a projection just as there's projections for where the market is going to go. Is there any projections for what the CPI might be?

>> Alex Gurza: I don't have that information for you. When we use the CPI we generally use the labor statistics, the Bay Area CPI, and we can look into estimates of what others may have. But we can follow up with you.

>> Councilmember Kalra: If you could in addition see what the real loss of income to pensioners, how much money we are talking about they're giving up by a cap in the 1%. [applause]

>> Councilmember Kalra: Now, the plan, the mayor's plan states at a there's a number of different compensation increases whether they be basic wage or increases and what have you that cannot occur without a vote of the electorate if there are certain triggers. One of which is any time the pension plans have unfunded liabilities. Now, our understanding is that pension plans amortize, unfunded liabilities, I believe from the last -- the discussion we had during the study session, 16 years Police and Fire, 30 years for Federated. And does that mean that during that entire period, no bargaining unit can receive a raise no matter how small during that 16 to 30-year period without an election that by itself would cost one or \$2 million?

>> Mayor Reed: That's not my recommendation.

>> Councilmember Kalra: Well no, but that's in item C as at least a proposal to be looked at.

>> Mayor Reed: Well, why don't you point it out because I'm not sure which provision you're talking about.

>> Councilmember Kalra: It states in number 1 that in addition to ensuring that service levels are at January 1, 2011, levels, that any time the pension plans have unfunded liabilities --

>> Mayor Reed: Right, the part I'm looking for is the part that affects the general wage increases.

>> Councilmember Kalra: Well, increased compensation for members of bargaining units after contract expires. So any time there's an expired contract, we cannot negotiate a contract with any of those employees or bargaining units that would have any -- that would have any wage increase if it's unfunded liability. It's on page --

>> Mayor Reed: Perhaps that's not clear. I specifically am not trying to affect the general wage increases that get negotiated in contracts. That reference is to wage increases that can continue on after the contracts have expired basically as step increases. And those ought to be based on performance not just on automatic increases. If there's no contract, then there's no contract. But a negotiated contract then general wage increases would be permitted just like we have today.

>> Councilmember Kalra: Well in item D refers to step increases. Item C simply says increased compensation for bargaining units after a contract expires. And my concern is we can't always negotiate a contract by the deadline or we go to arbitration with public safety, there is unfunded liability, the way this reads we wouldn't be able to give a wage increase.

>> Mayor Reed: No you give a contract. When you give a contract it provides for a wage increase.

>> Councilmember Kalra: Then I think that language would need to be cleared up. It doesn't read that way the way I read that.

>> Mayor Reed: It is perhaps inartfully drafted as they say in the legal field but the wage increases that gets negotiated in contracts is not what that is intended to address.

>> Councilmember Kalra: That is hopefully a concern and hopefully moving forward that can be cleared up because it can be read different ways. Now, and the reason why I had the concern clearly the unfunded liability exists oftentimes for many, many years in plans very routinely. Another trigger is, that is another trigger I'm very concerned with, because there is a number of you know especially if we're anticipating a drop in our number of employees we have. There's a great concern that I have regarding that as well. And another concern is, any additional compensation, I believe there's a reference to overtime, there's overtime pay, and I'd be concerned that there's something urgent that does occur that does require us to have staff on overtime that we're confined by having to go to the electorate in order to approve any additional compensation.

>> Mayor Reed: Let me clarify, executive professional and administrative employees don't get overtime like in the rest of the world, that's one provision. Another provision is we don't pay overtime based on hours not worked. But if people put in overtime they need to get paid overtime within the rules of the federal fair labor standards act.

>> Councilmember Kalra: Okay, well I may have further questions just as we approach the June date on some of those items but thank you for answering some of them. The other concerns that I have, and I appreciate Councilmember Rocha's memo in that it recognizes the great risks of going forward, on a first tier, without having the bargaining units in agreement or coming to the table with them. Particularly the great legal risks and whether we go to a ballot or not, this is not about letting the voters decide something that places us in great legal peril. The issue regarding and I know mayor referred to and I think the City Manager spoke of it in her PowerPoint as well. That the choice of not -- the cost of not acting versus proceeding forward with this, the declaration of fiscal emergency and going down that path, ultimately potentially going to the voters, or the legal risk versus financial consequence of doing nothing, and I think that we are completely missing out the third option which provides the least amount of legal risk but allows us the opportunity to start tackling this problem, which is working with our bargaining unit which is something we have not done. Instead -- [cheering and applause]

>> Councilmember Kalra: Instead we are going forward with guidelines and expectations that we've set that we have the authority to change in terms of policy in order to cause some relief so we can keep some police officers on the street and some libraries open, instead we're focusing on a legally precarious road to take. That as Rick indicated, you know, we can go on for years in litigation without having any of this achieved and after years of litigation we lose, spend millions in litigation fees and we're back to square one in fact we are worse than square one because we are not doing anything in the interim. [applause]

>> Mayor Reed: All right. Please stop interrupting the councilmembers. It's not polite, it's not the way we run our business here. I know many of you want to speak and when you speak I'm going to insist that people don't interrupt you. So if you can't follow our rules we'll just have to ask you to leave. So we're very polite here. We have serious policy disagreements but we're polite to each other and I expect the same thing out of our audience and we'll be polite to you when you're speaking to us.

>> Councilmember Kalra: And so Mr. Mayor and fellow councilmembers, although I appreciate it, particularly appreciate the different options you put forward I think we're going down the wrong path because what we're doing is we're putting forward what we think we need to have, and not considering the legal cost behind it, not

considering the cost that we're causing in terms of destroying our workforce, and really, not being able to provide services to our community. As indicated by Vice Mayor Nguyen and Councilmember Herrera, you do great work. It is our responsibility to provide services to our residents. I don't want to face our residents and tell them that our libraries are closed and we can't perform public safety services. Nothing in what we're doing here is going to help us do that in the short term. We should be focusing on that first and foremost because right now, we're facing a crisis in our ability to provide safety to our community. We're going to have libraries closed, many hours of our libraries closed, we're going to have hundreds of police officers laid off come July 1st and nothing in here is going to help with that and certainly going down a path that causes us to go to face great legal risk doesn't help either. What we need to do in order to avert fiscal disaster and social disaster is do what Councilmember Herrera says she would like to do is work together and solve this problem. It's not something we have done. I think if we go down that road and start -- look half the bargaining units have given 10% ongoing pay. They did it because of the realities of what we're facing. They will do it again because of the realities of what we're facing in order to help the city, help save their jobs and residents, because we have to do it. But going down this legal path that's going to end in I believe a real fiscal disaster is a wrong way to go. I cannot support the motion because I cannot support the majority of recommendations in the mayor's memo and I'm hopeful that everyone will take the legal risk to heart and take to heart the risks of what you're saying and work with our bargaining units. [applause]

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. Just to follow up from a couple of questions that were asked. Alex during my motion I asked for some sensitivity analysis around assumptions that we would make about who might or might not opt in. In other words can we make an assumption that the youngest quartile of employees will opt into this plan and then calculate some number as a result of that? Is that the kind of assumption we can test to provide the council with some options to understand where, within some range of likely outcomes we might end up?

>> Alex Gurza: Yes, that is something we would follow up with our Department of Retirement services and talk to them about what they can provide in that regard.

>> Councilmember Liccardo: Okay, I just want to make sure we're all clear, because Councilmember Pyle was particularly concerned about that issue and I am, too. And earlier, before we got to this item, I know Councilmember Constant was discussing the report from the analyst that came before the retirement board. I think it was Cheiron. There was some discussion around death spiral. And we've heard this expression before, that there is apparently some mathematical tipping point beyond which the plans will somehow unravel into insolvency beyond our ability to pull them out. With the limited resources we have. Is there any way we can calculate mathematically, that you're that close to this tipping point?

>> Alex Gurza: Councilmember, I'm not a actuary myself so we'd have to consult to see if that type of analysis is possible.

>> Councilmember Liccardo: Okay, I'd appreciate whatever insights the Department of Retirement services would be able to offer. It's certainly helpful to us, to understand the urgency of the problem. For us I know it's a \$3.5 billion unfunded liability, it is certainly an urgency in my mind. And finally, I'd like to just address the concerns that were raised. I know, I've heard a lot of concern expressed from members of our workforce around whether or not the mayor's proposal somehow undermines collective bargaining because of the constraints that might be imposed within the range of retirement benefits that could be allocated. And my understanding is there are other cities like San Francisco for instance has a minimum, maximum in their charter retirement benefits and if you want to change retirement benefits you go to a vote of the residents to change the charter. Is that your understanding as well Alex?

>> Alex Gurza: Yes my understanding that in San Francisco any change to the retirement system whether an increase or a decrease must be approved by the voters of in San Francisco, the City and County of San Francisco.

>> Councilmember Liccardo: Okay, this isn't a crazy right wing idea, the notion is that we're going to have a very public discussion about what we can afford, what we can possibly give and obviously it's a serious issue. I think

it's fortunate that we confront it without the hyperbole of comparisons to Wisconsin or other extreme measures that were taken. It's not extreme. We can find out how far we can go when we get those numbers back and I look forward to understanding what we will be able to afford and what we can't. I guess the other question I have Alex, with regard to negotiation, I think the mayor and my own motion specifically contemplates continued discussion with bargaining units. At this point how many bargaining units have come forward with either proposals or strong suggestions that they're willing to reduce agree to reduced benefits for current employees?

>> Alex Gurza: Well in terms of making proposals that actually change the benefits for first tier employees, without an option, none. We have discussed the concept with the Police Officers Association, but they have not made a proposal in that regard. There are several unions that have made proposals on opt-in type programs starting with the San José firefighters. The coalition of unions in Federated made a proposal at one point on opt-in program and the POA has made an opt-in program so there are several unions that have made opt-in program proposals but none have actually made proposals that would change future uncrewed benefits that would reduce the benefit or the cola or things like that.

>> Councilmember Liccardo: Thanks Alex.

>> Mayor Reed: I'm going to take some testimony. Not everybody in the audience wants to speak but just about. I insist that people who want to speak be polite, we're only going to allow one minute per speaker because we still have a lot of work to and do we need to get through this so we take action. Please come on down when I call your name so you're close to the microphone. Timothy Kinea, I believe, Ross braver, Jerry Mungai, Michael Sims. And I know there are folks in the wing or one of the other rooms, when overflow. We'll call your names after we get some room in here.

>> Thank you, mayor. It's Tim Nay. February 1991. Torn right rotator cuff, rescuing a driver from an overturned vehicle, diagnosed by a shoulder sprain by Dr. Faus f there are 11 other injuries I can't go into because I have one minute. February 1987, dislocation of previous, misdiagnosed as shoulder sprain by Dr. Faust. March 1997, surgery, June 1997, surgery, August 1997, surgery. I retired from the San José PD February 5th, 1998. I was

unable to work uniformed assignments in special officer patrol and I retired from the San José police department rather than have the opportunity to work an article 39 position for the next six years. My compensation was 2750 a month. Due to my wife's medical history and her historical relationship with her physicians I have no option but to punch the Blue Shield CPO insurance which is currently \$771.54 out of my retirement. If it weren't for the cola which the mayor and city council are attempting to reduce, drastically, our get rid of altogether as part of the emergency that they are claiming my family would be left with 1978.46 each month retirement after 20-plus years, proudly protecting and serving the citizens of San José. I'm in no way unique in my career. I went to work every day with the real possibility of injury or not coming home to my family at night. In this very room as a retired sergeant I should say not because he couldn't make it. I have two more sentences.

>> Mayor Reed: Sorry your time is up. Ross braver --

>> Mayor Reed: Sorry your time is up. We got a lot of people who want to speak. Want to get everybody a chance to speak that wants to speak. Ross braver, Jerry Mungai, Michael Sims. [applause]

>> Mayor and council, my name is Ross Braver, and I'm an unrepresented employee. 11 years ago I joined the city and seven years ago I was diagnosed with multiple sclerosis. If medical eligibility is increased to 20 years, a non work-related disability that forces me to retire could take away my health insurance at a time when I would need it the most and be least able to afford it on my own. I agree with the City Auditor's recent recommendation which states that disability retirements are to provide income for employees who are incapable of engaging in any employment but are not yet eligible to retire. I sincerely hope that I can continue working for many years and this issue of 15 versus 20 years is moot. However, this current proposal increases the chances that I will neither have health insurance nor the ability to work for another employer who might provide it. Please consider adding non service-connected disability retirements to the mayor's recommendation for disability exemption from any increase in years of service required. Thank you.

>> Mayor Reed: Jerry Mungai followed by Michael Sims, Bobby Morhatch David Wall.

>> Thank you, mayor. I want to applaud you for your bold and courageous leadership in pursuing measures to cut the cost of service delivery instead of cutting services. Numerous variations on your plan are being proposed. This is quite healthy. However, any plan that seeks a tax increase in my view is unrealistic. City, county, transit authority, state and school districts are all seeking increases in incomes, sales or parcel taxes. Businesses and people vote with their feet. Don't give them an impetus to move to greener pastures. And also, any plan for a future pension plan should be a 401(k)-like plan that must replace defined benefit plans and make employees responsible for their own retirement finances. Thank you very much.

>> Mayor Reed: Michael Sims Bobby Morehatch, David Wall.

>> I'm here to support the recommendation of the mayor's council fiscal reform plan and urge the council to accept it. Of particular concern to me is the reduction of the branch library services to three days a week. Libraries help people of all ages. And backgrounds. And get the knowledge and the resources they need. President Dwight Eisenhower once said and I quote, the libraries of America are the most ever remain the home of free, inquiring minds. So them, our citizens, must be able to turn with clear conscience, that there can be freely, we can seek the whole truth. The ability to read and understand new ideas, is absolutely essential in a free country. The proposed 72 cuts to the library system would decimate it to the status of a third world country. The 10th largest city in the United States.

>> Mayor Reed: Sorry your time is up.

>> Operating for only 25 hours is a shame.

>> Mayor Reed: Next speaker is David Wall, Robert Sapien, Tim Callahan.

>> David Wall: First of all we're basically talking about contract law and the abrogation of contract authority by a got agency and that's inappropriate. In your fiscal emergency memo citing a legal document or law journal Mr. Mayor, courts are going to find, quote, a public agency has failed to explore other less intrusive cost serving

measures, quote, might not be able to assert the affirmative defense as a fiscal emergency. This is also goes to issue about the disingenuous nature of today's conversation because later in today's agenda you're going to approve \$1.5 million for an art school. Now we look at this -- these numbers up here, these numbers aren't here correct, Mr. Mayor. Because first of all, I've asked for the retirement people to be here. They're not here. That fiscal year 2015 to 2016 is actually 2015 to 2035. You recall, the retirement director says it was 20 consecutive years.

>> Mayor Reed: I'm sorry your time is up. Robert sapien. [applause]

>> Robert sapien. I rent San José firefighters local 230. Here we are again. I'm here to tell you that I represent San José firefighters who came forth in good faith with pay concessions, far beyond what the city asked. And delivered for you. Here you are today, looking to proceed with the mayor's memorandum, which throws trust out the window, foregoes any chance of coming to a settlement agreement and sets the stage for what may be the biggest legal challenge for labor rights in the nation. So what are we going to do today? Are we going to proceed as Councilmember Herrera said? That she has faith that we can work together? Or are we going to forgo that and we're just going to see each other in court? Thank you.

>> Mayor Reed: Tim Callahan -- [applause]

>> Mayor Reed: After Tim we'll have Earl Thompson and Jay Wendling.

>> Honorable mayor and city council Tim Callahan former MEF president, former board trustee, Federated retirement. You have a spending problem, plain and simple. You're addicted to spending. Cut up the credit cards, call in credit counselors. Stop spending before you do what an addicted parent would do, which is break the children's piggy bank and steal. What you're trying to do is illegal, immoral, unjust, Draconian, don't do it. Get credit counseling and quit spending, quit digging holes. [applause]

>> Mayor Reed: Earl Thompson, Jay Wendling and somebody whose name I can't read, because I can't I read the writing, I think it's Nigel but I'm not sure.

>> Earl Thompson a 26 year retiree from the fire department. I'm addressing you today in regard to a small number of retirees, in particular, those widows and some who will be widowed in the future. A little history would be helpful. The fire department pension plan began improving about 1961, providing a more livable monthly income to retirees. It continued to improve periodically to the present situation. However, inadequate attention has been given to the survivors of firefighters and I assume police as well, when their spouses died. Until more recent years, when the pensions were given, pensioners were given the option to reduce their monthly pension so that his widow would continue receiving a more reasonable income. This was a long-sought improvement in the plan because the previous plan placed the widow in an unacceptable --

>> Mayor Reed: Sorry your time is up. Jay Wendling, Nigel, Steve Ostein.

>> Honorable Mayor Reed, city council members, and city staff. My name is Jay Wendling, I'm with the retired Police and Fire. I'd like to read to you a short excerpt from our attorneys, Moscone, Embridge and Sader out of San Francisco. With that overtime, the city has expressly agreed to provide employees upon retirement with certain ongoing benefits. California law recognizes the retirement benefits are part of an employee's compensation package, and that this compensation package cannot be reduced, once it has been earned. After all the city uses its compensation package to include persons other than post-employment benefit to attract and retain its employees. It is therefore, fundamentally unlawful to diminish that package once the employee has provided the years of service. We have 1100 members of the retired --

>> Mayor Reed: Sorry your time is up. Nigel, [applause]

>> Mayor Reed: Followed by Steve Osten who might be in the other room. Just come on over.

>> Right here.

>> Mayor Reed: Right on sometime then Fred Hirsh.

>> Good afternoon, city council, Oliverio, all you do is talk bad about all the city employees. Been to some of your budget meetings. I'm a taxpayer here. A lot of the city employees do a great job, Police and Fire, OE 3 members, I've come into the city and gotten work done really quick. What you councilmembers say are on point, Paul you say, I'm going to have to sell my house, I'm going to have to be in one of these homes here. Mayor Reed, if you are breaking the law you should be put in jail. And you, you're a carpetbagger. The term is carpetbagger.

>> Mayor Reed: Steve Osten, Fred Hirsh, Sasha O. Stewart.

>> Thank you. The idea of extending the retirement age sounds like a good one. We already have a contract. A one quarter cent tax increase came forward from the last meeting. If we quadruple that to one whole penny that would be \$184 million. This is a democratic society, not an autocratic society. I hope we can move forward with that in mind.

>> Mayor Reed: Fred Hirsh, Bob Brownstein.

>> My name is Fred Hirsh. I'm on the executive board of plumbers and pipe fitters 303. I've heard the word immoral, unjust and even Councilmember Liccardo mentioned the word Wisconsin, which reverberates in this room. Last year, taxpayers in California spent \$3.5 billion for so-called defense. That money belongs here, to take care of these problems. I've worked in elections with hundreds of people, for people who stand up for the principles of working people. Any of you who I have supported along with those hundreds, and in the years, thousands, who vote for this thing are betraying the working people of San José. I have one words for you and it's, shame. [applause]

>> Mayor Reed: After Bob Brownstein will be Sasha O. Stewart and Bill Guthrie.

>> Mayor Reed and councilmembers, you have two written proposals before you today one by Don recycle plus! while certainly not perfect is a good faith effort to find a solution to the city's retirement issues. The other proposed by Mayor Reed is a political fraud. Like its predecessor in Wisconsin, the Reed plan seeks to effectively eliminate the right to join unions and bargain. What kind of bargaining can occur when the city charter would require that automatically, city workers would have to pay 50% of the unfunded liabilities, because the city council adopted illegal policies and the courts upheld the law. Even the proposed declaration of emergency is a grotesque exercise in deception. It will not remedy a public safety crisis, it will cause a public safety crisis. It will guarantee that San José residents who call 911 will receive a response from the least skilled, least experienced, least professional and least reliable people that can be hired.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Sasha O. Stewart. [applause] Sasha O. Stewart, Bill Guthrie, James Golding, Kathleen Flynn. If anybody's watching this from room 120, there are some seats open in here if you want to come on over.

>> Honorable members of the council my name is Bill Guthrie, I'm an elected representative of UA local union 393 which represents some 2300 plumbers, steamfitters and service technicians throughout Santa Clara County, many of whom live and work in the City of San José. I'm also a resident of Rosemary gardens in Councilmember Liccardo's district. Let me begin by saying I don't believe anyone envies the difficult situations in front of you. Directly reflected in the high rates of unemployment facing our citizens. Construction workers like my own members have been particularly hard hit facing over 30% unemployment. It is this environment that is created some very real challenges for all of us as a city and its residents with that being said I believe that we must not do as use the budget problems of our city as a justification to not bargain in good faith with your workforce to deny the rights of workers to collectively bargain and ultimately seek to balance the budget on the backs of working people. Thank you. [applause]

>> Good afternoon everyone. I'm deeply saddened to see this happening between our employees, our councilmembers, and our community, because you know what? We need to work together. Our board, the Dr. Martin Luther King Jr. association supports the workers here in this room. And all over the city who are not here now. But we also support you. We have great faith that you will start working together to make things better. Because if you don't, we will be rowing in a sinking boat. The truth is we need to start having community involved too. Please, please, start working together. We can't afford people out of work. Thank you.

>> Mayor Reed: James Golding, Dorothy McGinley, Nancy Ostrowsky, Spencer Coggs.

>> I'm Jim Golding, I'm a 911 call taker. 17 calls placed to the 911 center at the time, they were all mishandled they were ignored it was a national outrage. ABC's night line did a week long series on the state of 911 in the country. They chose one night to do it on the finest dispatch center in the country, they chose San José. The reason we're the finest is we had a forward-thinking administration. They offered competitive compensation. They hired the best. These people here are the reason that San José is in the leader, as safest big cities in the country, yet you don't reward them by cutting the compensation that they signed up for. That by slashing the contract that they signed on for. Forget Wisconsin West, we don't want to become Oakland South. You don't want your political legacy to say, I was there when San José fell off of the top 20 of safest cities in the country.

>> Mayor Reed: Sorry your time is up. [applause]

>> Mayor and city council, my name is Dorothy McGinley and I'm here representing retirees and future and current city employees. At the city council study session last Wednesday when the retirement reform proposal was discussed there were fortunately some councilmembers who expressed concern about the impact any changes might have on retirees. This is a welcomed and reasoned response in otherwise mean spirited environment. Working Americans have suffered terribly over the last 30 years. They just keep taking hit after hit. And this retirement -- these retirement proposals would be yet another blow. Many historians and political analysts agree that our country is slipping into plutocracy. Our democracy is in jeopardy. So let's slough off this plutocratic tea bagger mentality and return to the morals of a compassionate society. Rather than --

>> Mayor Reed: Sorry your time is up. Nancy Ostrowsky, Spencer Coggs followed by John Mucar.

>> Good afternoon, mayor and council, I'm Nancy Ostrowsky, IFPTE's Local 21 representing AEA and CAMP and share the San José coalition. Much has been said and written about the Federated retirement fund rate of return assumptions, and unfortunately is based upon unsubstantiated opinion as opposed to fact. City administration is attempting to use a lower assumed rate of return to justify some of their -- these most unlawful proposals. Over the past 30 years the actual rate of return for the Federated fund does not support the City Manager's assumptions. Let's deal with the facts and data and not misinformation and scare tactics. It's been 203 days since measure W passed, 119 days since January 25th, 2011, city council meeting where you directed staff to work with us on pension reform. The city has yet to schedule a meeting. We are still waiting. Negotiate and avoid this legislation, thank you.

>> Mayor Reed: Spencer Coggs and then John Mucar and Eduardo Samaniego.

>> I'm Spencer Coggs I want to bring you a warning from Wisconsin. Mr. Mayor of San José don't do it. Don't abolish workers rights through collective bargaining like Wisconsin is trying. This smacks of blaming the victim. Your proposal overreaches just like Scott walker. When you have other avenues there is no need to go to the nuclear option. To Democrats on the city council of San José don't do it. Don't be Dinos, Democrats in name only. Abolishing collective bargaining is not the right way, turning your backs on labor when they are willing to help you is not the democratic way. Lastly a good politician knows when to talk and when to listen to your people. Now is the time to listen to the people and talk to your workforce, thank you. [applause]

>> Mayor Reed: After John Mocar, Eduardo Samaniego and then Iman Mobasher.

>> Honorable mayor and councilmembers, my name is John Mucar, I'm the president of association of engineers and architects IFPTE local 21. It's been 203 days since voters approved Measure W and 119 days since the council directed city administration to work with employees' bargaining units for pension reform and can you

guess how many sessions we had? We had zero nothing. We have not met to discuss this issue. Mayor Reed's quoted in the law journal, if we -- saying if we don't get control over these pensions, they are going to kill us. If Mayor Reed was genuine and we are about to get killed, why hasn't there been any negotiations in 203 days or 119 days since the administration was directed to do that? We believe that the reason that the mayor and his supporters want to make San José be the Guinea pig and try overturn decades of legal precedents and legal rulings, I think it took 103 days to address --

>> Mayor Reed: Sorry your time is up.

>> Thank you. [applause]

>> Mayor Reed: Eduardo Samaniego, Iman Mubasher and then Bee Chun.

>> My name is Mobru Solamud. I'm not a politician, I'm not an expert in finances, I'm just representing as a leader of the faith community. And the moment I see what has been proposed it looks to me that 110% effort have been made to cut the expenses to take down the poorest people to cut the fire department, police, continue with that and only less than 10% has been put in effort how to increase our income. The moment we declare an emergency situation it is going to create fear and anxiety and the people who would like to leave the city and I suggest that we should attract the people from outside to invest in the city and to make more money, so that we can afford to have our budget balanced. Thank you.

>> Mayor Reed: Bee Chun. Followed by Eduardo Samaniego, Sabuhi Sadiki.

>> I am pastor bee Chun, pastor of Christ the good shepherd Lutheran church in San José, and I'm representing myself. Honorable mayor and city council, I'm here because I want to go on the record of asking you, to please give negotiations a chance. And please, consider to continue mediation. I have not become convinced that all the options have been really looked at. Emergency would be a tornado, flooding, fire earthquake. But this is a need for reform. So I ask you, please, give this a chance. [applause]

>> Mayor Reed: Suburu Sadiki and then Emily Gatfield and Kay Denise McKenzie.

>> Respected mayor, I'm Sabuhu sadiki representing our Muslim community. This would make the benefit that thity employees have already earned nonnegotiable. If we change those and run the Comcast commercial for the City of San José it will have to say you have our word and our word is not good. We are living through unprecedented times, whether it be at the federal level, the state level or the city level. We need to wake up. And become fiscally responsible. But rising to this challenge does not necessarily mean declaring an outright war. If history is any guide, it's always better to negotiate than to declare war. I'm sure everyone sitting here today, equally loves this country and more importantly, this city.

>> Mayor Reed: Sorry your time is up. Emily Gatfield. [applause] Emily Gatfield Kay Denise McKenzie, Mike enderby, some of these folks were in the other room so come on over. Claudia Shope. Pat Dando, Tom brim. Go ahead Pat folks need to come over from the other room after Pat Tom Brim then Christian Hemingway.

>> Pat Dando: Good afternoon, mayor and council, this indeed is a somber day. But it should be no surprise. It shouldn't be a surprise to anyone in the audience that has been listening and watching these challenges for the past decade. It's no surprise to the voters of San José who sent a very firm message to you the policy makers in November. It's time to change business as usual. We can't continue to do the same things that we've done for the last ten years. If you do that, the hole gets deeper and wider and no long-term solution. We can't continue to cut programs. Cut vacant positions. And fire and lay off employees. It's time for a change. Perhaps it's time to call in a third party reviewer to review the budget numbers and to review the options that you have. You've all done an initial job in putting forth recommendations but these are complicated issues and complicated times. This is a time to change. No longer business as usual. You've got to get the City of San José back on the road to recovery.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Tom brim followed by Emily Gatfield Kay Denise McKenzie and Mike enderby and Claudia Shope.

>> Hi councilmembers, my name is Tom Brim. I represent the inspectors' union and most of the employees up there. I ask you today please do not accept the mayor's recommendation. I still think it's way too early for that. I think that you need to go ahead and talk to the employee groups. Everybody, we're all in this together. It's not just management, it's not just the employees. It's our package together. And my dad always said if you are in a hole, first thing you have to do is stop digging. So please stop digging and talk to the employees.

>> Mayor Reed: Emily Gatfield, Kay Denise McKenzie. You're Emily?

>> Hi, I'm Emily Gatfield, I live in Sam's district and one of the great things about Silicon Valley is, we're innovative. And what I'm seeing is, we're looking at the same thing. Let's find a way of picking the low hanging fruit. Let's go after the unions. Instead of being a little more innovative with something like, I don't know, looking into taxes, looking into what concessions the unions would give you. If you really sat down to negotiate with them, everybody knows we're in a crisis. I'm sure you would get a lot of cooperation in the negotiations and people still got to live. Thank you.

>> Mayor Reed: Kay Denise McKenzie.

>> Good afternoon, honorable mayor and city council my name is Kay Denise McKenzie president of CAMP IFPTE role 21. In January you directed staff to work with employee bargaining groups on retirement reform. The guiding principles included reducing the benefit level, reducing the cola, extending the years needed to work, changing the final average salary calculation to yield the defined benefit plan to be richer than 12.4% split 50-50 normal cost. You want ideas? Earlier this year local 21 offered a second tier plan with opt-in option meaning these guiding principles at an actuarially determined rate at less than 12.4%. We never heard back on this proposal. It

has been 203 days since measure W was passed and 119 days since your January direction. Talk about kicking the can. Negotiate and avoid litigation. Thank you. [applause]

>> Hello, my name is Claudia Shope and I just wanted to say I think it's ridiculous to be making up emergencies. Who makes up emergencies? It makes no sense at all. The only thing that you try to do with making up an emergency is antagonize people and I really find it horrible to be doing that. That's not what needs to be done. The other thing that you do is invite litigation. Is that what you want? That's exactly what is being done here. And it's very disrespectful to the workers, and to the community members. People who rely on the good workers services. As a matter of fact, I got great services from a worker who's right here, in the front row. When I was doing things on my house. And I just think that it's disrespectful to slam the workers like this, in this manner, and it just doesn't make any sense to invite litigation. Stop the Wisconsin kind of action.

>> Mayor Reed: Sorry your time is up. Mike enderby. Wait just one second. Some other folks that may be in the other room I'll give them a little head start. After Mike we'll have Christian Hemingway, Ben Field, Tina Morrill, Sal Ventura.

>> Thank you, Mr. Mayor. My name is Mike enderby, and I'm a senior planner with the City's planning division. I'm using vacation time to attend this meeting. As part of the day's action on the city manager's pension reform plan, the city council should direct the administration to be more open, and consider alternatives and the appropriateness of the measures identified rather than taking an it's my way but no way approach. I have concerns about the outright elimination of the sick pay elimination program. I have been with the city in 27 years and plan to retire in just over two years at the age of 55. I appreciate the difficult challenges that you have in trying to make this work. I have accumulated 800 hours of sick time, with a potential payout of about \$20,000 under the current system. I have accumulated this by my dedication to this job, over many, many years, and coming to work to deal with critical deadlines, on many days that I haven't felt well, and when other employees may have called in sick.

>> Mayor Reed: I'm sorry your time is up. Ben Field, Sal Ventura, followed by Sandra Sims and Paul Martinez.

>> Mr. Mayor, members of the city council, my name is Ben Field, I work for the South Bay labor council. If there is a way forward towards a future where San José is a functional city there must be dialogue with the city's workers. There must be a process that allows for meaningful negotiations. Unfortunately the city has taken the opposite direction. Negotiations have become little more than an opportunity for the city to deliver its ultimatums. Now the mayor has proposed to render meaningless the right to collectively bargain though he says that's not what he meant to do. On its face the proposal would have the effect of taking off the table wages and benefits, leaving almost nothing to bargain for. Collective bargaining is a basic civil right. Denying the right is not only bad policy it is morally wrong. The proposed ballot measures would doom the city to years if not decades of dysfunction and litigation. Choose a different direction.

>> Mayor Reed: Sal Ventura.

>> Good afternoon my name is Sal Ventura and I'm the assistant business manager of IBEW 332. Last and final offer from the City of San José and turned it down overwhelmingly. Our position on the fiscal proposals were difficult to absorb but palatable. It was the nonfiscal issue that we could not stand because it was a political power grab. I'd like to ask the mayor the second thing if he consulted the City Attorney, the city attorney's office before he made his quote, fiscal emergency unquote declaration, and if not, why not? And since I'm the speaker and would not feel offended by any of this can I ask the audience to hold up these signs, please? I want to say again like I said last Tuesday, for those of you who supported this fiscal emergency, shame on you, shame on you for this political power grab.

>> Mayor Reed: Tina Morrow. And just give me a second, Tina, some people in the other room, after Tina Sandra Sims Christian Hemingway, Paula Martinez, Roger stores and Brian Lantrip, go ahead.

>> Good afternoon, my name is Tina Morrill, I live in the Vendome neighborhood in District 3. My priorities as a resident, taxpayer and homeowner are both services and safety. I think it's imperative that the City of San José attract businesses, revenue and residents to enjoy all of what this city has to offer. But I ask what do we have to

offer? Are we offering well we're broke but come here anyway or are we offering, well, this is a great place to come and invest in? I think it's the latter and I support all of you who will think holistically long term and sustainably to fix this budget disaster and I support you in making the hard painful decisions that you need to in order to ensure long term sustainability of our great city. Thank you. [applause]

>> Mayor Reed: Sandra Sims, Paula Martinez, Roger stores, Brian Lantrip.

>> Hi my name is Sandra Sims I'm here on behalf of the Dr. Martin Luther King association of Santa Clara Valley our association supports public safety and all city workers. Dr. King once said: We may have all come on different ships but we're here in the same boat now. We urge you to find a way to work together towards a peaceful solution to the budget crisis. Prior to his assassination Dr. King supported sanitary workers in Memphis. Our association stands here in his place, in order to ensure that his mission in fighting for fair wages for the poor is not forgotten. Dr. King believed that we must come together in crisis and said the true maybe that will risk his position his prestige and even his life for the welfare of others. Please keep this in mind as you cast your vote to fix the budget on the backs of these dedicated workers. Thank you. [applause]

>> Mayor Reed: Paula Martinez, Roger stores, Brian Lantrip, Sally Zarnowitz.

>> In your council salary setting it says to maintain the health and benefits as unit 99. What specifically are you paying for these benefits and where can we see this list? You're reducing the monthly vehicle allowance from \$600 to \$350 for your vehicles. What about being assigned a city vehicle from the city pool and receive no allowance? As mayor and council department heads and other upper management taking the same drastic cuts you want to impose on us. We want to see a list of all the stipends and perks you receive. They need to be drastically revised or cut too. They should start from the highest paid and trickle downward, not start at the bottom like us and leave with the highest paid barely touched, untouched. You keep saying other unions have agreed with 10% and other concessions but you haven't told the public that these unions have supposedly settled, have a me too clause which means my union AFSCME receives a better deal, the other settled unions have an option to go back to the bargaining table and request the same.

>> Mayor Reed: Sorry your time is up. Roger stores, Bryan Lantripp.

>> Good afternoon, mayor and city council my name is Roger stores and I'm speaking as a city employees and a resident of San José. As a city employee I understand the problem and I'm willing to be part of the solution but the solution has to be more than just a one dimensional plan that places all the burden on the employees. As an example I think your Green Vision is awesome but how about a retail vision. We talk about raising the sales tax but we don't need to raise the sales tax. What we need to do is raise the participation in the community of buying and shopping and dining in San José. That would be something that would be great to see in the Mercury News. Would I love Mr. Mayor to see you talking to the community about how their services are paid for by the taxes that they spend here in the city. We can -- if you would invest as much effort into reaching out to the community and making them a part of the solution, as it appears to certain people that you're involving us as the bad guys, we could go a long way to working with our community, to raising the revenue to where it should be.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Sally Zarnowitz, Joe Kinney, John Max Reger, Steve Premenger.

>> Sally Zarnowitz, planning division employee, 20-year San José resident. Every day keeping San José clean and green, its employees reflect the diversity of this great city. But we already operate with skeletal crews. The Mercury News argued that study of budget options and engagement of union leaders is needed to avert dramatic cuts in services that could deepen to unthinkable levels by 2016. MEF leaders have identified options. The paper says are serious and worth discussing and for instance moving away from the practice of prefunding future retiree health care for current employees in today's budget could represent substantial savings towards that \$115 million deficit. Now more than ever, rather than adding to the economic downturn, by divesting in human resources we need to include all voices in maintaining services and quality of life for everyone.

>> Mayor Reed: Joe Kenny, John Max Reger. Steve Preminger, Joseph tran.

>> Good afternoon, honorable mayor, honorable members of council, madam city manager, members of staff. My name is John Max Reger, city employee 19 years, environmental inspector, member of OE3, steward, member of the bargaining negotiations group. There is a real aura of acrimony that is really unnecessary. We can solve these problems. We just need to work together. There is more than one solution to this problem. Please do not dig in your heels and think there's only one solution. Your institutional knowledge is fleeing. I don't know if anyone else has addressed that today. We're having our seasoned inspectors leaving. We've had eight inspectors leave this last fiscal year. That's about \$1.2 million if you assume they earn an average, oh, that's right, only four out of 781 OE3 members earn more than the average city employee. None of that, none of our inspectors are paid out of the General Fund, so you're not getting savings from that. With respect to the 10% you're actually asking for 13.2, 13.4, it's 10% total compensation, 3.2% in layoffs.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: Jo Kenny, Steve Preminger followed by Joseph Tran and Richard Zonner.

>> Mayor, city councilmembers, my name is Jo Kenny and I've been a business person for the last 20 years. As such I want to know how can you possibly think it's ethical or even legal to say that you will bargain for services with some organizations but you're going to stop bargaining with others. You're now looking at dictating the terms of contracts but only for public employees, not for the other contracts you do. In the first six months of this fiscal year you signed 142 contracts over \$100,000 each. Of those almost 40%, 42% were for services many of which had used to be provided by city workers. Of those 40% of those were amended in the first six months to include more than 3.1 million dollars that you added to the cost to the city. How can you in good conscience say that you will negotiate with some entities and not the other. Do not the workers in your own house deserve the same

consideration that the workers at the Acme building maintenance company which has already received two amendments --

>> Mayor Reed: Sorry your time is up.

>> As city counselors --

>> Mayor Reed: One second, Joseph Tran, Richard Zonner and John Evans. Supposed to be on auto-pilot but sometimes it turns itself off, try again Steve.

>> My name is Steve Premenger, I'm chair of the county democratic party. A guiding principle of the democratic party is our party platform. One of the most important elements of the platform is support for collective bargaining rights. It's a litmus test for us. Most of you up here are Democrats. Start acting like it. [applause]

>> Mayor Reed: Joseph tran, Richard Zonner, Maria Lopez, Forrest Williams, come move down here, I know there's a few folks left. Mark roughing.

>> Good morning, councilmembers, think this testimony is important to them and have left the chambers. As far as numbers, it seems as though -- as far as others there seems to be a problem with the numbers that we've given around. We ask for numbers and they're never produced. Well Chuck, it's quite obvious the numbers here all say the same things. Don't keep taking and to go back to negotiations but I guess you'll hear one voice and that's your own in your head. [applause]

>> Mayor Reed: Gracie Garcia Ramos, Maria Lopez, Forrest Williams, Mark roughing.

>> Good evening, Mr. Mayor, city council. My name is Maria Lopez. I represent the West Evergreen NAC and I thank you for the opportunity to have a voice in all this process. Ten years ago I'm a volunteer and a resident of meadow fair SNIs. City council, mayor Chuck Reed, we are very disappointed. In all of the service cuts in our city,

it really hurts. Community centers closed, library service cut because of city budget. I only hope that it will be resolved soon, inand city employees and workers receive what is fair. Thank you very much. [applause]

>> Dear city council, good afternoon. My name is Gracie Garcia Ramos, a resident of San José district 8 a parent and a very active community member in meadow fair. I'm here to ask you to keep the neighborhood services which means community centers antigraffiti and safe keep city neighborhoods and SNI and neighborhood watch programs. Thank you. We do not need any more gangs or any more vandalism or stop the budget shortages. We already have enough of that. As a neighborhood member in meadow fair, thank you for your great services. You guys have done good but we just expect a little bit more in the sense that you know, you guys have a family out there, too. And if there's nobody in the city staff to run the services, what are we going to do? We can't go back to you know, 40, 60 years ago and do farmland or anything like we did before so please you guys have a lot of expertise, a lot of acknowledgment, use them properly wisely so we could have a better San José be proud of where we live in. Thank you, otherwise I say to the audience --

>> Mayor Reed: Sorry your time is up. Forrest Williams, mark roughing, followed by John Kessler and Paul Sarno.

>> Good afternoon, mayor and councilmembers, my name is Forrest Williams, and I'm a resident of San José. I'm also retired. And I love my community and I want services in my community. I want police. I want fire. If something happened to me, I want the response time. What you're doing is, you're impacting that by a decision that you want to make. Synergy brings about a greater change than having individuals do it themselves. So we need synergy. We need to you get with the labor unions. We need for to you work with the community. We need everyone to work on this problem. We also need to explain the, we call it unfunded liability. That's a projection as you know. It's an actuarial projection. We make assumptions about that. And the economy changes, all of those things, the market changes and all those. So we need to go back and we can balance this budget by moving a decimal point in the projection.

>> Mayor Reed: Sorry your time is up. Mark roughing. Followed by John Kessler, Paul Sarno and André Macapina.

>> Mr. Mayor and city council, I want to go back to something that Vice Mayor Nguyen mentioned earlier which I think is important. None of us wants to live in a third world country. We all care about our city, we all work hard to provide Services to our employees, to our residents, we don't want to shut down libraries or community centers. We don't want to reduce code enforcement or antigraffiti, or eliminate park rangers. These are all essential services. But it takes two sides to fix the problem. Not just the one-sided approach where the employees are blamed, and held solely responsible for fixing the problem. For this to really be resolved, city management also has to pitch in. For example, quit forgiving debt to outside entities, camera 12, Suviaanda. Start looking for opportunities to get naming rights for buildings in the city. We passed up a critical opportunity with the airport.

>> Mayor Reed: Sorry your time is up.

>> Thank you.

>> Mayor Reed: John Kessler, Paul Sarno, André Macapinla and then Rocky.

>> Mayor and council, my name is John Kessler and I proudly serve as district director to state assemblyman Paul Fong who represents 10% of the city of San José. I'm going to try to do this real fast. I'm here on behalf of the assembly member to deliver a letter that he and three of his colleagues signed and sent to the attorney general last Friday, May the 20th. The letter is asking the attorney general's office to launch a full and immediate investigation to the actions taken by the San José city council, should it decide to declare a state of fiscal emergency to try and resolve structural budget issues. If the council moves to that declaration it would misuse California law and it would risk creating financial uncertainty that could endanger San José's bond rating, dissuade business investment and lower property values. An identical effort was attempted in the city of San Diego last year. However, the city attorney in San Diego put a stop to that effort when it was determined that the San José city council under California state law did not have the authority to make that declaration to solve San

Diego's structural budget issues. The legal interpretation has not changed since then and clearly under California state law the city --

>> Mayor Reed: Sorry your time is up. [cheering and applause]

>> Mayor Reed: Paul Sarno, please give that to the clerk. Wait, wait Paul. Just okay, Paul Sarno, André Macapinla and Rock and Ernest Jones.

>> Good afternoon, my name is André Mayapinla speaking on behalf of assembly member Bob Wieckowski who represents the 20th assembly district which covers the Berryessa neighborhood of San José. The assembly member wants to register his strong opposition to the proposed fiscal program. The memo authored by the mayor and three other councilmembers if enacted and approved by the voters would force all employees into a second-tier retirement just barely above Social Security levels and prohibit pay increases for all but management employees without a public vote. This is a threat to collective bargaining for city employees. City and public safety employees have already made significant concessions. Municipalities have faced difficult years in the face of the national recession, requiring everyone to work together in good faith to ensure the well-being of the community. Again, the assembly member asks for a no vote, thank you.

>> Mayor Reed: Paul Sarno, Rocky. Earnest, after Ernest Jones, Yolanda Cruz.

>> Hello, I would like to first of all recognize the people who support all the people, I mean the workers and public and those people, Councilmember Kalra, Councilmember Campos, Councilmember Pyle, thank you for representing the people. That is what the city is about, it's the people that build the city and the people that live in the city. I would also like the people, senator from Wisconsin who came all the way over here to represent the people. Those are the kind of people that really serve us truly, they represent the people, all the people. [applause]

>> Mayor Reed: Go ahead, Mr. Jones. Earnest Jones and then Yolanda Cruz and George Beattie.

>> Ernie Jones retired San José fire. Your rising cost could be more accurate if you put in the buying power the years. The cola is not 3%, the 3% of the percent you retired at. It never changes. Nobody retires at 100%. The Police and Fire is healthy, my retirement and my cola comes completely out of the retirement system. Also you can see that I need my medical more than ever now at this age so that's about it, thank you very much. [applause]

>> Mayor Reed: Yolanda Cruz, followed by George Beattie and LaVerne Washington.

>> My name is Yolanda Cruz and I'm the president of AFSCME MEF. The challenges we face are great. What got us here is multifaceted. To have a single solution to address the issues we are facing is not only unfair, it is downright irresponsible. Clearly the mayor's memo also signed by three councilmembers was poorly drafted and after conversations with the signers of the memo and hearing what was said on the dais not one of you including you Mr. Mayor, have an idea of what you're asking for. You as councilmembers are the ones with authority to direct the City Manager and her staff. You must do the right thing and vote no, and bring us back to the table to address issues in a fair and reasonable manner. Thank you. [applause]

>> Mayor Reed: George Beattie. George will be followed by LaVerne Washington, Johnny Camas and Comstock.

>> Mayor Reed, I'd like to thank Councilmember Rocha for his friendly amendment for what core considered very Draconian budget reform and I'd like to thank Councilmember Chu for recognizing the POA's efforts on pension reform. And I share Councilmember Pyle's frustration. You see we've been on record for a year talking about pension reform with this city. As a matter of fact, we've been at the negotiations table for more than five months and we've yet to receive a proposal from the city. We had to provide one. And I share Councilmember Kalra's concerns. If we don't work this out together it's going to go to the ballot and if it goes to the ballot I can assure you we're going to fight it because we have to. And in the meantime, nothing will get resolved. The people in the end

that will suffer will be the citizens while this thing is tied up in court and lastly if this isn't Wisconsin West then what is it? Thank you.

>> Mayor Reed: LaVerne Washington. [applause]

>> I'm here today as a 50-year resident of District 9 and over ten years city employee and president of AFSCME CEO. As a resident I'm highly concerned that this proposal to declare a fiscal emergency will have dire economic implications and legal consequences for my city. As an employee of this city I am concerned that if the plan is implemented I will be unable to support my family, unable to retire at any age and live at my home or my city because I will no longer get the compensation and benefits promised to me in consideration of accepting employment with this city. As president of AFSCME CEO I'm appalled that the proposal constitutes nothing more than elimination of collective bargaining rights for my bargaining unit as well as every rank and file bargaining unit. Lastly, let me dispel the myth that AFSCME has not and does not want to negotiate with the city. In fact AFSCME came to the negotiation table in good faith approximately eight months prior to the date of the contract to step up and to collaborate with this city and to find real solutions.

>> Mayor Reed: Sorry, your time is up. Wait one second. After Johnny Camas we will have Eric Comstock, Phyllis Schultz, and Mike Yashimoto.

>> I wanted to first of all thank all of you. You guys are tackling one of the most difficult issues the city has ever faced and I appreciate all that you're going through in this rough time. I want to give my support to the mayor and the staff here for trying to preserve services, trying to preserve jobs and trying to preserve our libraries and parks and I wanted to also ask if anybody has perhaps has come across your desk but if anybody's trying to work with the Santa Clara county health process and trying to save money on the health costs to see if we can ratchet down costs in that arena.

>> Mayor Reed: Eric Comstock Philip Schultz, David hashimoto.

>> Good afternoon, first statement I'd like to make, it is not the fault of the worker that management has not funded pension correctly. You know, late to see another U.S. steel or something. To other things, money can be gained from cutting these consultants we hire from outside the area. These super-studies, these environmental studies about putting in futuristic things that have really no importance today. And lastly, you know, local contractors and local businesses, and the people here in this city, are what's important. Not none of this other really hard for me to use proper English but I am American. Thank you.

>> Mayor Reed: Phyllis Schultz. [applause]

>> Mayor Reed: Steve Kline. Mike hashimoto Gary weekly.

>> Hi mayor and council, I'm Phyllis Schultz, the vice president of AMSP. AMSP is part of the coalition. We offered a second tier plan with an opt in option that met each of the guiding principles: 2% at age 60, three years final average salary, a reduced cola and it put the normal cost below 12.4%. It is sound reasonable and provides a cushion for the first tier plan participants to opt in to a new lower tier. We never heard back regarding our proposal. This was a starting point and we want the opportunity to continue these talks. I've heard several councilmembers today state they want to work with the unions to get retirement romp. I don't know when you plan to start these talks but the sooner the better. We are ready to begin these talks now. Let's negotiate and avoid litigation. Thank you.

>> Mayor Reed: Steve Kline. Mike Yashimoto, Gary weekly Sherry good.

>> Mayor and city council members, my name is Steve Kline. Residents and neighborhood organizations throughout this San José are deeply concerned about this memo and its underlying message. They're concerned that this does nothing to solve anything. It is an open invitation for lawsuits and attorney's fees that we cannot afford. It is sometimes overused and possibly hyperbole but nonetheless it is true. Today San José stands at that time crossroads. Will you continue the attitude of confrontation or will you sit down to talk with the workers in good

faith and resolve difficult issues? You can make that choice. You have a one-time opportunity to do the right thing. Let reason and common sense prevail. We need to put neighborhoods first. Thank you.

>> Mayor Reed: Mike Yashimoto, followed by Gary weekly, Sherry good and Bob Leninger.

>> Honorable mayor and honorable councilpeople, I'm Mike Yashimoto a resident and taxpayer of San José and I happen to be a loyal, dedicated employee. I think we all agree that we are here for the long term financial sustainability of this city, regardless how we do it. There are some good ideas in the proposal that is before you for your consideration. I would also like to ask that the amendment be amended. The proposal be amended to include the possibility of a pension bond which could be financed at a very low interest rate and paid off over a long period of time. Just like prior mayors have, and councilpeople have passed a wonderful construction bond and we have benefited by the libraries, the police stations, the community centers and we're paying that off in the long term. Thank you.

>> Mayor Reed: Sorry your time is up. Gary weekly, Sherry good, Bob Leninger and Gary Roberts.

>> Good afternoon, I was with the fire service for 30 years, 27 and a half here in the City of San José. As I promoted up through the ranks I remember studying very diligently trying to go further into the city. I loved working here. I remember one of the council's six corporate priorities, it was to be an employer of choice. That I took to heart. I gave it my all when I was here. Just like the many men and women that are behind me today and are out in the streets, they give it their all. The changes that you are proposing are only one proposal. I was here last week and have only seen this proposal come up again. I haven't seen different ones being put out there. And I worry and concern about people that have retired 15 and 20 years before I did. I'm also concerned about where the state of our pension system is. I ask you to work with everybody, to think this through clearly, to not rush to judgment, and to truly make this a city proud to have the employees that they do today. And not to demonize them. Thank you.

>> Mayor Reed: Sherry good. Bob Leninger. Followed by Gary Roberts and Greg Miller.

>> Hi, my name is Sheri good, I'm with AFSCME CEO, I have been an employee for 25 years. I was on the retiree health care negotiation team. When that happened we asked if during this economy the city could afford to prefund which is something most cities and other agencies do not do and we were told that they were going to have to but we can see now that they can't afford it. We've sat down at our negotiation, there was no negotiation happening at that table. We were dictated to, basically told take this or leave it. We went to mediation, we were told after one session not even a full eight hours, don't bother coming back. And by the way, look on the Website at IBEW for your last best and final. That's not respectful. I mean, my god, you can't even type up one specifically for us and hand it across the table? That's ridiculous. [applause]

>> Bob Leninger, president of the Federated retirees association, speaking for existing retirees. A lot of these people can't physically make it here today. They are the ones that are least able to pay for these Draconian cuts that you are proposing here today. They will be hit with Social Security cuts, they had a cola that was proposed. A lot of them can't be here, but they worked under the contract, they paid under the rules, they relied on it when they retired, and as outside counsel likes to tell us, they have constitutionally protected vested contractual rights. You'll hear that again. [applause]

>> Mayor Reed: Go ahead, Gary Roberts, Greg Miller, Patrick Ramos and Cory Richardson.

>> Good afternoon, mayor. Last year I sat here in front of you and called you guys liars, and I still am, you know. Last year you said Mr. Mayor and I believed you that everyone was going to take a 10% pay cut and yet you let police off with 4%. That's lying. You know that's just bold faced lying, you know. And it's hard for me to trust people like all of you when we don't know what the truth is. Just tell us the truth. We're adults, we can handle the truth, what I can't handle is lies. Thank you.

>> Mayor Reed: Greg Miller, followed by Patrick Ramos, Cory Richardson and V. Patel.

>> What I see in these recommendations is a well orchestrated plan to reduce pay, benefits and retirement security of public workers in an attempt to crush the collective bargaining power of all working people. This campaign nefariously pits working people of the city who rely on and pay for the lion's share for city services. The City of San José is located in one of the wealthiest areas of the world. As reported last month in the San José Mercury News, the Silicon Valley 150 alone had record profits of 87 billion he last year. As the capital of Silicon Valley the city should tap into that wealth influence a system of taxation. The people have been taxed enough. The workers in the community have sacrificed enough. The big corporations the banks and the wealthy need to pay their fair share they can best afford to pay. This council needs to have the courage to seriously look at the tax-the-wealthy alternative, and we the people need to insist on this alternative.

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

>> No more cuts, and no more concessions.

>> Mayor Reed: Greg Miller, Patrick Ramos, Cory Richardson, V. Patel.

>> Hi, my name is Cory Richardson, I'm a city employee for the past 11 years. I live in council district 3. And I just want to say that I don't think that you guys looked at all the options, and I know that some of the options that kind of came out through some of the speakers. But one of the highlights I want to point out is, potentially pension obligation bond and I know that you council, you guys did not create this problem, but you are expected to solve it. And I know that like a pension obligation bond it does push out the problem onto you know future generation. But the thing is you know we do have vested rights okay? This is -- it is a vested right, if there's going to be litigation cost it may be cheaper. Another issue is looking into the Cal PERS option. I know Councilmember Rocha mentioned that, and also the prefunding the health care. You guys are prefunding my health care. Is it really necessary at this juncture, you know who knows. And the last item is potentially selling surplus land. I know the agency has sold a lot of surplus land but the city has not so you may just want to look into that. Thank you.

>> Mayor Reed: Patrick Ramos and V. Patel. Those are the last cards I have. Please come on down.

>> Hello, my name is Varsha Patel. This is the second time I'm coming here so I'm a little nervous please excuse me. I'm a city employee, I've been working here for the past 20 years and I'm looking to retire from here. I know I won't be getting any Social Security so whatever retirement benefits I get I will be getting from the pension plan here. I agree with a lot of the sentiments that have already been spoken here by the various speakers and I actually just you know was on the West side and I happened to come across the news release from the City of Stockton. It is you know it is money that City of Stockton tapped into from the federal government, to supplement their retiree health care benefit. I don't know if it applies to this city. But it is an option. You know, it's something, a different, innovative way of looking at finding money. So I have some copies here, I'd like to leave for you guys to look at.

>> Mayor Reed: Hand those to the City Clerk. Patricia Ramos and Paul Solerno.

>> Good afternoon, everyone. My name is Patricia Ramos Anderson. This is my American dream was to live in a democracy, was to get an education, get gainful employment and raise a family. And had the ability eventually to retire with the benefits that were established by the rules that I worked for. I was a city employee for 33 years and I abided by those rules and worked very hard and gave a lot of my time as volunteer. Our American dream is becoming a nightmare in San José. The budget is not -- should be put on the burden of the employees the unions and the residents as well as me, the retiree. I am not happy that you're not willing to work with the established organized unions in San José. You are not talking, you're not even listening to us. We're just coming in and speaking but are you truly listening to us and getting some of the ideas that we are passing on to you? We cannot allow this nightmare to continue. The issue of budget was not just happened this past year, it's been for ten years. We've an area where we can make some reductions. Maybe we should look at not just reducing the city employees at the lower level but at the top as well.

>> Mayor Reed: Sorry your time is up. Paul Solerno.

>> Good afternoon, thank you. I am Paul solerno. I'm retired San José police officer and vice president of the Retired Police and Firefighter association. Thank you for giving me this pin. Don't have enough time to go into the things I want to. I reside in the city, I live in District 10 I own a home I'm taxpayer. My issue is this. You cannot change the rules after a game is over. This is contract law. These retired people out here have a contract with you. That have vested rights. You cannot change the rules after the game is over. It's illegal, immoral and just plain wrong. A deal is a deal. I ask you to honor your promises. And I wish you good luck because this is going to be a tough issue. Thank you. [applause]

>> Mayor Reed: All right, that concludes the public testimony on this. We do have a motion on the floor. We'll have some additional council discussion and debate on the motion but I wanted to make sure a couple of things before we get back to it, is that first, I'm just going to read from the memo in case anybody didn't get a copy of the memo that I signed along with Councilmember Nguyen Herrera and Liccardo. This proposal is not the only solution, it is one combination of ideas that we believe will solve the problem. We are open to other solutions, and our proposal directs staff to engage with employee groups, many of whom have said they are eager to work in partnership to solve this crisis and to discuss alternatives that also solves the problem. So we are asking our staff directing our staff to engage immediately and while there are lots and lots of issues here, it won't I don't think be an impossible task for them to begin to have serious conversations, serious discussions, serious meet-and-confer over the issues. There are some things that are still a little bit open that I think they're probably not prepared to make a proposal on yet, particularly the second tier opt-in stuff that we talked about with three to four different versions but in the recommendations they can clearly make a proposal or changes to first tier which nobody likes but nevertheless you can make a proposal. The new employees provisions, you can certainly make a proposal and have you know the formal discussion of that and many other elements in the manager's recommendations and in the message so that we can have an active meet-and-confer most while you're still working out the details on and the numbers on the second tier opt-in provisions. So this is not a hopeless mission that we're sending our staff on, although it is not an easy one but nevertheless we are hoping that people will get engaged and I hope that all of our bargaining units are willing to engage on the retirement issue. There's been some reluctance in the past for some and so I think this is an opportunity and I hope that everybody will seize it. We certainly want to on this side of the dais. Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. And Mr. Solerno. You're right, these are tough decisions that the council has to grapple with and other elected bodies across the country. And Gary you said you wanted the truth, I think last Wednesday when we had a retirement session on this topic was the truth. For all the study sessions I saw on pensions I thought this was the most step by step one I had seen that really explained the structure. And the structure is really the issue here. I know the topic always says is we are victimizing demonizing the employees. But at the end of the day, the employees are pawns in the retirement structure that was set up and this structure itself can't maintain itself. We talked about the factors of retirement age, longevity of once you retire, the actual reality that the ratio has gone down of employees supporting retirees much like in the Social Security system. We talked about that we only had one in four chance of actually hitting the rate of return. And any and all of these create an unfunded liability or in other words an obligation to pay a check with no revenue to cover the check. That's the structure we're stuck in and we're trying to figure out what to do. Now someone brought up pension obligation bonds and I can't support that. That's an arbitrage scheme. It's much like taking a credit card, maxing it out and getting another credit card to pay that one off and maxing that out. It's continuing to push the problem in the future. We've chatted before in here on maximizing city sources of property, I've certainly been outspoken of selling the Hayes mansion and one of three golf courses. I'm hoping some time over the years we'll be able to move in that direction but that will be a drop in the larger bucket of what the pensions are set for. I think you know you can look to put blame on people of the past, but it is what it is. Whatever occurred, whether it was intentionally or unintentionally, it's the system we have in place. And whatever your political flavor is, whether you really admire George Washington and the founding of our country, or you admire our current president, Barack Obama, both of them are well quoted that we shouldn't be passing the buck or passing debt to a future generation when we can do it ourselves. But I think America is certainly the land of passing the buck because it is certainly easier to deal with it later and not now. Sadly cities -- not sadly, reality is cities have a different structure than state government and federal Government. We have to face these items. We know if we do nothing that eight years from now there's no money to pay any of you that are retired or going to retire. And we know by state law, the first thing I have to do, before I spend a penny on anything else is pay the pension. So before I employ any person in this city eight years from now to provide any service for any resident, I pay the pension first. And as the mayor has highlighted the employee workforce will continue to shrink. So I think we just need to be on the same

page of reality. We can disagree on this or that. But in the end the structure is what the structure is. And I really, really want to compliment the association of legal professionals. They're the only union who's stepped up and done their negotiations in public. Why do I think that's important? Because I think it gives us a better understanding of being on the same page and understanding people as humans. When I attend those meetings I get to hear exactly without filter those represents representing those people how they feel. For me that's extremely valuable. Because I think we're never going to get to the end of trying to find some type of peace if we're sheltered in two separate rooms. And I think the current system presents shenanigans and I think the public system would be doing much better for yourselves. Understand this: The reality is that as much as we have this room full of people we have houses and apartments filled with residents. And would I just say to you, that you can't bully the elected officials. You have to win over the public, and I think you've lost the PR war on that. I would encourage you that you don't have to lose it, you can pick it back up. But it makes it you have to be candid and open to the fact that we have a structural problem. Thank God for the Police Officers Association that went out and recognizes that there's an issue and hire their own actuarial to figure out it won't scale. While some believe it will just pass. But the reality, it's not passing for those of us who want to live here, we are going to have whatever we have in the future. And for those that just you know want to -- not admit it, I don't know what to say. I mean you can't sit in the same room, you can't sit in the same room and listen to the retirement boards and go, that's just a lie. The reality is, you may view it differently. But at the end I have to cut a check. And if I don't have the finances to cut that check, no one gets anything. And I'll tell you what, it would be really easy for me to just not say anything ever again. Just vote here and there. And not do any real reform. And no do any real reform but you know what? That's what happens when you have to actually create change. You have to actually go stick your neck out. And as far as assembly member Fong you know, wanting to get the attorney general involved, bring it on. Because I would love, I would love for third party validation to come in, much like our City Auditor has proven, that we have fiscal issues. And you know what, to take advice from Sacramento on the fiscal issues of San José based on what I see up there, I would love to see their point of view on this topic. Whether it's from the attorney general or it's from the auditor, whoever would like to do that. And I would proudly say this: I'm yet another Democrat that's for pension reform. Thank you.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thanks. I'll keep this brief because of how long we've been here. But I think that it's imperative that we move forward. I urge my colleagues to vote to allow this to go forward so that we can have our professional staff and the actuaries cost-out these various issues and look and give us a menu of options that we can choose from when we're actually making the decision. I think that it's critically important we have a problem, we know there's a problem. We've admitted the problem and we need to do something. I will add that like Councilmember Oliverio, I think that assembly members Fong and Wieckowski should fix their pension problem and their budget problem before they come and tell me how to deal with our problems. Because we know we have a problem. We can read the audit reports, the little Hoover commission reports, and we can see that we have a light at the end of the tunnel but it's a train racing towards us and we need to change it. And I'd give them a lot more respect for their opinions if they showed me they could handle their problems before they came and told me how to handle mine. And finally, on the pension obligation bonds, I think that is basically just a financing scheme. As Pierluigi pointed out, it just takes a debt and moves it from one side of the ledger to another side of the ledger. We need to fix the problem. So I urge everyone to vote yes so we can get some results that we can vote on soon.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I didn't know if you wanted to move my agenda, not my agenda but my memo that has to do with trying to bring money into the city along with the recommendations that have already been discussed. This has to do, I don't know if you saw the --

>> Mayor Reed: I've seen the memo and the recommendations that include the manager's recommendation include polling on possible tax increases.

>> Councilmember Liccardo: That's certainly how I read the memo as well that City Manager is certainly including restructuring the business taxes exclusively mentioned as one of the revenues options that was included in the analysis.

>> Councilmember Pyle: Just might want to make sure.

>> Mayor Reed: Councilmember Kalra.

>> Councilmember Kalra: Thank you. I'm a Democrat for legal pension reform, and that's what my concern is here. And I think that that was the reference to the attorney general as setting the case law, and the case law is clear. As the mayor said in the very beginning, none of us can say we're not informed, that's for certain because we definitely have an issue. We have a budget issue, we have a pension issue, but we also have some very real legal risks that were taken. But I think that much of what we've been discussing over the last couple of weeks on these pension issues, we're not focusing on what is going to get us to a place where we can really tackle the pension issue and provide services for our residents. Going down this route is not going to allow for that. Whether we like to think it is -- I'm a lawyer, it's not like I fear litigation. I fear litigation when we don't have a good foot to stand on. And that's what I'm afraid of here. It's not just simply litigation. It's litigation that's going to cost us a fortune and not do anything to solve our pension problems for years to come as it's held up in the courts. And it is we're the ones that have come forward and the memo from the mayor came out May 13th. And here we are May 24th, coming back June 21st, to make a declaration of fiscal emergency and put on the ballot. And here we are May 24th saying yes let's meet and confer and discuss this with our bargaining units when these numbers have been the same for the last two or three months. We should have been doing this a long ago, if there was a real emergency and we needed to fix this problem, because we cannot fix it without the bargaining unit being part of it. Otherwise we face those real legal risks, based upon real case law which I have read that tells us that we're going down a path that's going to cost us an arm and a leg for legal fees which would be worth it if the end result was going to allow us to do the reform that we're seeking. But it won't. It will get us back where we are today but in further debt. So that is the problem I have with this. It's not the pension reform, a bit on board with that. It's not fact that we need to get some changes in how we're doing our pension system. We need to make sure that all our bargaining units understand the facts and work with them so we all can save our services so I can go to my neighborhoods and say I was able to keep your library open, able to keep police officers on the street and firefighters in the firehouse. I want to be clear that the residents at home watching, be very clear this does not

save city services, it puts us down an extraordinarily dangerous Patel and I'm just worried we're not able to come back to that because we are delaying repension reforms which require us to work with our bargaining units.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. As I said, earlier, I still have hope that we can work together to find solutions to this. We talked about, I've heard a couple of times and I think Councilmember Kalra just said and other folks have commented on the fact that why hasn't there been discussion this emergency we should have been looking at this before, why is this suddenly an emergency. I think one of the things that I've been surprised about as I watched the numbers roll in is how they keep increasing. It was bad last year. I thought actually we should declare a fiscal emergency last year when I saw the numbers because it frankly was just terrifying the first time I saw how the kind of unfunded liability we're looking, we were looking at a billion or two billion. It starts getting to billions and your mind boggles. Just as Councilmember Constant just reported with the latest actuarial studies on Federated, changes are having millions of dollars of impact on our budget and that's why the thing does change and it keeps getting worse. And I think that realization is what's prompting this memo. And this declaration or contemplating declaration of fiscal emergency. I think that we're moving in a direction, I think that this memo one thing this memo did and one of the reasons I signed on to it is I felt it would draw attention to the issue and I supported it also because there was a paragraph in there about calling folks to come to the table and offer solutions. Those were very important key things in this memo that I was very happy to see in it. I think it has put everybody's feet to the fire. It has brought out new solutions by putting the light on this issue. And by saying we have a crisis. I think it is causing new proposals to come forward. Because we have to find an answer to this. We can't continue to do what we're doing, because as has already been described we're going to keep having fewer and fewer services with fewer and fewer employees. So we have to -- we have to make -- we have to keep it in the forefront so that we can find solutions to this. So I think that, you know, the memo, we're not passing everything in the memo to be implemented today. What we are doing is moving it forward to find out to get information on which of these options are possible. I'm very concerned about legal risk going forward in many of the things and very concerned as Councilmember Kalra talked about. I'd like to see opt-in solutions if they're practical and we can move that forward. So I look forward to hearing back from staff on what they are going to

come back with to find out which things are possible but we can't -- we can't do nothing. We have to move forward and look at these and look at all of the options that are in front of us. I also want to say a couple of other things, that I don't think this memo is about or at least my support for it. I want to state publicly I support collective bargaining and I do not support any end to collective bargaining. I just need to say that you know as an elected official and I do not believe that that is what we are doing here. The other thing I want to say is I support Councilmember Pyle's memo on looking at increasing revenue. There's two sides to this equation. One is cost containment because we have escalating cost. The other side is revenue. And we do have to have the courage of both of those convictions. The courage to go out to the public and say we need to raise revenue. We need to raise tax revenue and I absolutely would support that. I also support including Councilmember Pyle's memo in the motion if the maker of the motion would be willing to do that since we are incorporating most of her suggestions in the memo.

>> Councilmember Liccardo: That's fine, as long as it doesn't involve duplicative work. I think to the extent the work's already been done, it can certainly be re-presented, that's fine.

>> Councilmember Pyle: It clarifies the motion.

>> Councilmember Herrera: So I think it's very important that we send that message, too, that we're not looking at one side of the equation, we need to look at the other side. And so I will be supporting the motion. Thank you.

>> Mayor Reed: Councilmember Pyle. Did you have --

>> Councilmember Pyle: Just another clarification because when I listened to Councilmember Kalra I'm hearing some of the same concerns that I expressed earlier. But we are moving forward, both memos, including mine, and none of that will be voted on today. It will be supplemented with information, none of this -- that's my understanding. You have a different view.

>> Mayor Reed: Well, the motion, Councilmember Liccardo has the motion. But we are trying to set a parameter so that we can begin to meet and confer and negotiate with our bargaining units on first tier changes, new employee changes and then also to do the analysis on the costing of the opt-in second tier as well as the other things that are specific items. But we're not making the final decision today. We're trying to put our staff in a position where they can meet and confer. And be able to put a proposal across the table and I'm anxiously awaiting to see proposals back from our bargaining units and hopefully we will get that but ultimately decision whether or not to declare a fiscal emergency and whether or not to put it on the ballot is out there in the future.

>> Councilmember Pyle: Exactly.

>> Mayor Reed: But we'll try to negotiate this with our bargaining units so we don't have to make the decision. But we are setting some parameters on where we start the negotiations.

>> Councilmember Pyle: Many of those items you mentioned Alex and his team have already been negotiating, do you agree with that?

>> Alex Gurza: Well, no, there's certain -- as some of the bargaining units have said, some of the units have made proposals. If the motion passes our understanding is we will be able to make proposals on everything that's in the combined memos, except for this is our understanding, except for the opt-in option, which would come back on June 21st. But between now and then, we would be able to make proposals on elements of the combined memos, such as on first tier benefits, second tier benefits, sick leave payout, workers comp offset, SRBR. Those are all the kinds of things that from my understanding of the motion we'd be able to begin meeting and coming first immediately, which opt in options needs to have further direction.

>> City Manager Figone: And retiree health care.

>> Alex Gurza: I'm sorry, retiree health care, reducing the premium cost.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I want to thank all the speakers who Ty took their time to come in and speak to us. We understand that the city is facing a financial difficulty here. Thank you very much. I will not be supporting the motion. Like I stated, I like to -- I felt this motion is probably 15 pages, you know, and combining the three memos, plus Councilmember Pyle's memo, is 17 pages long. And I felt that this probably will set the staff for a mitigation impossible or giving them some contradicting directions. The only thing I will support and the only legal risk that I'm prepared to make is increase the retirement age. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Again, I don't think and just as the mayor said, that I mean we all know that we have to do something and we can't just sit here, sitting on our hands and not do anything because that's not going to get us anywhere we want to be. Now again, I think that part of the analysis that should come back is, along with everything because staff's going to go back and do an analysis and without having a clear legal opinion as part of the analysis, is not giving us the tools to make the decisions that we need to make. So I already asked for the friendly amendment. I was turned down, and I get it. And I can live with that. However, I don't think -- I think we -- I think residents of our city deserve better. Because I think they voted us into office to make decisions that are not going to put our city at risk. And forwarding any recommendation that's going to declare a fiscal emergency, knowing what lies ahead of us is being irresponsible. And I can't support a motion that would include that. Now, with that said I -- Councilmember Rocha's memo deals with many of the things that we want to deal with and that we should be dealing with. And as one of the speakers said it's not perfect but it gets us in that direction. And I would -- if that was the motion on the table then that's something I could put my arms around. But again, as Councilmember Chu was pointing out, we've got 15 pages of recommendations and a 15-page -- what's the word I'm trying to say, recommendation, and that's -- it just muddles the water. I can't support the motion, to me it's not clear and again I will not support a motion that would include, again, declaring a fiscal emergency, when we haven't even done the due diligence to bring our

bargaining units together and really get down and start discussing about compromising and working together. So I will not be supporting the motion. Thank you. [applause]

>> Mayor Reed: I think that concludes our council discussion and debate on this item. Which is good because we still have other items on the agenda that we need to get to. We do have a motion on the floor. Outlined by Councilmember Liccardo, on the memos, incorporating a couple of other memos with some friendly amendments. I know the clerk has been keeping track of that. On the motion all in favor? Opposed? I see three opposed, that's Kalra, Chu and Campos opposed, that passes on an 8-3 vote concluding our work on that item for today. See you back on June 21st. We do have other items on the agenda. Please be quiet as you leave the room. We have other work to do. You're welcome to leave but take the conversation outside. City Manager's report, anything to report?

>> City Manager Figone: Nothing today, mayor.

>> Mayor Reed: All right, item 3.3 is the agreement with Team San José for Convention and Visitors Bureau Services. We have a motion to approve. Any cards from the public wanting to speak on this quit? No cards on this item. All right we have a motion to approve on the convention center Team San José services agreement. All in favor, opposed? I count none opposed that's approved. 3.5, clean tech legislative agenda. I just like to introduce this by thanking Silicon Valley leadership group, joint venture Silicon Valley who co-hosted the fourth annual clean tech summit in which we brought together a lot of people. All right folks take the conversation outside, please. Come on outside if you want to talk. There's plenty of room to sit in here and be quiet but outside there's plenty of room to talk. Come on, please. We still have work to do. So we had a summit January 28th with many, many participants I just want to acknowledge the participants before we take this up. The office of economic development the California's governor's off the California Public Utilities commission California energy commission Lawrence Berkeley national library, solar tech, PG&E, Cisco Systems, Cypress Envirosystems, E-Meter, People Power, Bridgelux, Echelon, Brocade, serious materials, Greensmith, Primus Power, SunPower, Optini, Solar junction, Prosser group, and General Motors, and with the co-hosting and leadership of the Silicon Valley leadership group and joint venture Silicon Valley. We put together this agenda Fourth time we have done it,

we use it in Sacramento, regionally as well. It's been very helpful in helping others understand the importance of things they can do to help the clean tech sector, way beyond city limits. With that would I ask my councilmembers to support it. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, mayor. I just had a question about two options. Regarding revenue generation and also incentives. One would be gas tax and the other is oil extraction fee. Were these particular measures explicitly considered by you or others in the group?

>> Mayor Reed: I don't think so.

>> Councilmember Liccardo: Is there any willingness to consider incorporating advocacy for either?

>> Mayor Reed: Well those were not discussed at all, at the meeting. We'd have to recirculate the people to see if they wanted to include that.

>> Councilmember Liccardo: Understood. I would just ask that as we contemplate the legislative agenda in the coming years, that we incorporate consideration of gas tax or a carbon tax as well as oil extraction fees here in California. As I understand we're one of the very few states that doesn't have one, as a way to create incentives for people to move to cleaner energy.

>> Mayor Reed: So is that oil severance, gas tax, carbon tax, we did have some discussion I think two years ago when the national government was looking at cap in trade and whether or not really we should just be not try to do a cap in trade but have a tax a gas tax. It was a lot simpler but that hasn't moved so that's kind of come off the agenda in terms of advocacy because the senate's not going to move it apparently. But I will add that for consideration.

>> Councilmember Liccardo: I'd like to move this with the additional suggestions that that be considered in the next evaluation.

>> Councilmember Herrera: Second.

>> Mayor Reed: Okay we have a motion to approve with two items to add to the list for the next round. All in favor, post office, none opposed, that's approved. 4.1, the public hearing on the annexation reorganization of downer number 11. Have a motion to approve. This is out somewhere in District 10. Awfully hard to figure out where they are without a map but it is in district 10. No requests from the public to speak. All in favor, opposed, none opposed, that's approved. 6.1, airport operations program and fee adjustments. We will have a brief presentation from the -- well, the staff will be here for questions. I don't know if they have a presentation or not. Whatever it is I'm sure will be brief.

>> Mr. Mayor and members of the council, there's no presentation but I would like to just bring you up to speed on the results of our commission meeting last night. The proposal today is to bring certain rates and charges at the airport up to market levels and to ensure cost recoveries for services that the airport provides. The rate increases cover four different areas. General aviation, ground transportation, parking and airport badging. And I wanted to note that the airport commission last night provides us -- supported the proposal in front of you, with several just two or three minor modifications and I wanted to note those to you before you made your decision. In the area of general aviation, we are adjusting to market rates. And that will require an increase to the existing rates that are at the airport. And the commission recommends phasing those rate increases over a 12-month period with 50% of the rates increasing now, and the other 50% rate increase going into effect 12 months from now. The second area, under general aviation, currently under the proposal that you have in front of you, the director has the ability to adjust the rates up and down based on market conditions up to 25% per year. The commission's recommendations are to limit that ability to adjust rates to 15% per year. And then in the final area, under parking, we've completed our new parking facilities and proposed a new mid level parking product. And that's going to be called the daily parking lot and therefore we are adjusting our park ranges to reflect that new lot and give us the ability to really stay competitive with the other airports serving the Bay Area. Again commission supports the overall recommendation to establish the range but they suggested limiting the increase at the top end of the range

to no more than 10% of today's range. And staff recommendation is to establish the ranges as outlined in your memo. I can -- I'd be willing to take any questions.

>> Mayor Reed: I have a couple of people who have either requested to speak or questions so we'll take those now and see, maybe it's for you or maybe not. Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, Kim, a question about Dave Logan's letter specifically his concern seems well founded, that the change in the -- how we charge the fees for entry, a taxicab that's looking just to go to the CNG fueling station or to attend a meeting at the airport would be charged just as they would be if they're picking up a passenger. Is there any kind of as we do in our park lots downtown for instance giving validations for those nonrevenue trips?

>> Yeah, I think it should be noted that what we're proposing today does not change the existing rate structure that's been in place for the last two years. What it does is modify, we were missing a group of operators that came to the airport on an occasional basis and the proposal in front of you captures that group. But that you are correct that when the operators come in and strictly come in to fuel, at the CNG station they are charged a fee. The current trip fee at the airport is \$1.50 per operator. The CNG -- per trip. The CNG operators are charged \$1 for those trips so that more -- when they have multiple trips that more than makes up that balance of paying the dollar for when they take the trip just for the fuel.

>> Councilmember Liccardo: You're saying essentially there's a dollar reduction in the price of the compressed natural gas or I'm sorry I wasn't following you.

>> No. The operators when they make a circuit around the airport, they get charged \$1.50. And that'sed passed on to the customers.

>> Councilmember Liccardo: Right.

>> And that fee is then sent to the airport. The CNG operators, the fee is reduced by 50 cents per trip, so they charge the customer the \$1.50 and their incentive for using CNG is to pay a dollar for the trip fee. So each trip they earn an additional 50 cents and that more than covers for that one trip that they'll pay for gas.

>> Councilmember Liccardo: Okay, thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. The recommendations that were made by the airport commission, are something that you do agree with or -- in other words are you going to be able to meet your what should we say your goals, if you spread it out twice. I almost rather have one time, when you get the hit and that's it.

>> Yeah and I think what should be noted is the increases to the general aviation rate will range from \$8 per month up to the max of about \$132 per month. So certainly, we could phase that in over time. But our recommendation is to do it at once at the very beginning of the year.

>> Councilmember Pyle: Would I go, because it's less paperwork, it's quicker simpler. Thank you.

>> Mayor Reed: No questions for the moment. Don't go too far. We do have a request to speak on this, Dave Logan. Long day. Thank you very much. Did you all receive the letter or e-mail that I sent to you and also submitted to the City Clerk's office?

>> Mayor Reed: I can't speak for everybody but I know some of us have got it, I have seen copies.

>> I'm happy that the airport is trying to rectify the problem of the youngest inequity that we have, but if you look at the current resolution, it specifically says that taxicab trip fees will not be charged for taxicab trips to the airport until trip fees for the airport are implemented for other forms of ground transportation. Because a lot of other companies don't have these agreements we are being charged along with some other companies that have

permits. It's not fair. The drivers are paying, they would like to get their money refunded or a credit for future. In addition, there's language in here to change the definition of a trip. Under the old deal, the trip was you pick up a passenger or you drop off a passenger you pay a trip fee. Now they want to change the language that any time we enter the airport, and we drive under an AVI reader whether it's to go get fuel or to leave without they want to charge a trip fee. And it doesn't see fair. We have been operating at an unfair advantage compared to the other cab companies. The other cab companies are advertising that they don't have to pay the trip fee. It's a disadvantage to our drivers. So one, we support their effort to make the playing field level, but we don't think them charging us trip fees until this new deal that's in front of you folks get approved. So one again I'd like to go back and add the definition of a trip fee to be a pickup or a dropoff and also we'd like to ask for a refund or credit and we can work something out with the airport as far as how to do that. And that would be my request that I'm here on behalf of the drivers who left -- they went back to the airport and they were going to come back so now they don't have time to come back, so that's why they're not here.

>> Mayor Reed: Let's hope they get some trips to SFO or something like that.

>> Thank you.

>> Mayor Reed: That's it, back for council decision, we don't have a motion on the floor yet. Councilmember Liccardo.

>> Councilmember Liccardo: I'll make a motion to approve but I guess if there's a second then I'll ask one more -
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>> Mayor Reed: There is a second. We have a motion to approve.

>> Councilmember Liccardo: Thank you very much. Kim I think you've heard and I know I raised some of Dave's concerns in the first question I posed to you. But were there any additional -- he raised other concerns obviously

around the conversion of how we calculate the fee and how we charge the fee. Have we addressed the other sort of inequity where taxicabs are simply attending a meeting at the airport or some other nonrevenue purpose?

>> Yes I neglected to note that we will or we have the ability to, we can when a taxi member meets with taxi San José or comes to the airport for some reason we can make that adjustment if we can provide documentation through taxi San José that they were at the meeting. That's something we don't do now but we can do that.

>> Councilmember Liccardo: Okay. Thank you.

>> Mayor Reed: The people who are not paying the fee, who are they, and how can we squeeze the fees out of them so you have more revenues?

>> Mr. Mayor, John Aiken, deputy director of operations. There was a time where we passed a rate resolution with the taxicabs and were delaying passing a rate resolution for the other ground transportation providers. So we put that language in the rate resolution originally and did not charge the taxicabs, the dual fee until six months later when we got the ground transportation rate resolution passed by council. So that's what this lapping is referring to. At this time ground transportation providers as a whole have been paying for that. There are a few taxicab companies that are not participating in the on-demand program and have found a -- an issue in the language that allows them to operate without a permit. And that's one of the items that this does, is that closes that up and requires them to have a permit so that we can in fact charge the companies that are not part of the on demand program.

>> Mayor Reed: Okay, thank you. We have a motion to approve The comments from Councilmember Liccardo. All in favor, opposed, none opposed, that's approved. Our next item is 7.2, report on bids and water of contract for construction of various equipment. No cards from the public on that. I have a motion to approve. All in favor, opposed, none opposed, that's approved. Taking us to the last item of business, last but certainly not least are the actions related to the implementation of the school of arts and culture at the Mexican heritage plaza

project. We will have a presentation from the staff and the committee that's been working on this for a long time. I think Kim Walesh is going to lead. Connie Martinez is going to lead.

>> Kim Walesh: I think Peter Jensen is going to lead.

>> Peter Jensen: Peter Jensen acting assistant director of Public Works. Wanted to very quickly walk through a little bit of the staff perspective and then hand it over to Chris Esparza and Connie Martinez from the MHP steering committee to talk to you about the business plan that the steering committee has developed. From a staff perspective, you mentioned Kim. I'm also joined by Randy Turner, deputy director of Public Works, who's been involved in this program from the beginning, and Elisa Echeverria, the MHP transition manager up in the audience. It's been a process of more than three years since the city took responsibility for O&M and event services at the plaza. And the council formed the steering committee to develop a sustainable business plan to execute the vision that the council had agreed upon for the plaza. It was an extensive public process. Several reports back to the CED committee and to the arts commission. Last year, the council unanimously adopted the steering committee's vision of a school of arts and culture at the plaza and directed the steering committee to come back with the business plan which is being presented today. The recommendations to the memo are to accept the business plan and to direct the staff to negotiate an agreement with 1stAct the interim incubator operator of the plaza during the next 18 months to three years. Just wanted to focus you quickly on the city investment that's associated with the agreement that's recommended. You can see there, in 11-12, the total amount of the city investment would be \$600,000. It's about a 10% reduction against this year's investment. It's structured to be matched after the first \$300,000. During that time through the three years the rest of the City's investment \$300,000 in the first year and the full 550 and 500 in the second two years would be based on a match of the earned and contributed income that 1stAct is able to generate. The other important feature of this is in the orange there, you see cap, that is capital repair and replacement fund. 10% of our annual investment would be dedicated to a fund that the city will manage to take care of the capital repair and replacement needs at the plaza. This is something we think is important as we've seen our relationship with all of the various major cultural facilities in the city, that we really need to have a mechanism by which to deal with those kinds of issues as those facilities age. And so this is something that we hope to test out with this agreement and see if it's something that

might work for the other facilities. Lastly in 11-12 there's a supplemental memo that delineates the funding sources for the city investment, about \$483,000 from the General Fund, at about \$116,000 from the convention and cultural facilities fund. With that let me pass it to Chris Esparza from the steering committee to walk you through the business plan.

>> Good afternoon, Mayor and city council, it has been a year since, as Peter mentioned -- okay. All right. It has been a year since the council unanimously endorsed the vision of the school of arts and culture at the plaza. As asked we are here today to share the business plan for achieving that vision. 24 months ago, council charged the steering committee with the task of creating a vision and a business plan for the plaza. That puts the community first. We believe we have done just that. We also -- we were also charged with creating a sustainable business model for this \$35 million asset. We plan to demonstrate that today as we ask for approval of our business plan, and for sunseting our steering committee. Our efforts are inspired by what we believe the future for image P can be. A vibrant community school of arts and culture and a community gathering place. A place that inspires us, a place that brings joy, learning, and a sense of pride and engagement, for our children and for all who participate. Our plan has three key strategies for sustainability. The first strategy is focused on arts education and being in sync with market demand and philanthropic priorities. Our multipronged approach is to use an RFP process to populate our menu of educational offerings, so we leverage the town and programs that are already in the community. Keep prices affordable and -- keep -- I'm sorry, keep prices affordable by containing cost and subsidizing access. Leverage low-cost grass roots networks and partnerships for marketing and make all of our philanthropic ask about children to ensure our success. The second strategy is running the City's beautiful facility for a variety of users that help pay for the community access and engagement of others. And the third strategy is reducing our risk by starting out in an incubation mode, maximizing our fixed costs, learning by doing and creating a pathway for a permanent operator. Incubation delivers a full spectrum of classes from dance to visual to performing, even to digital arts. Anchored in the principles developed by the prototyping team of our steering committee. And we have plans to activate the image piece base with a host of community engagement and facility uses everything from existing uses like the SOMOS Mayfair Pasadas to new uses such as community schools and such. And in order to demonstrate our proof of concept, the image piece steering committee unanimously supports 1stAct Silicon Valley as our interim incubator operator. A lot of learning will take place during incubation

which will help ensure a long term success. During this time permanence governance will be developed and recruited. Options include the mentoring of home grown leadership, or, attracting an existing organization. But now the work begins.

>> Thank you, Chris. I grabbed the short straw and get to explain the funding model. It may not be glamorous but it speaks to the doability and believability of our plan. So our model begins with the goal of increasing earned income to 50% of our annual expenses over time. Earned income means someone is willing to pay for something we have to offer, as opposed to contributed income which means a donation. The chart I'm about to show you simply matches our sources of revenues with our intended expenditures. So let's see how it works. Beginning with community access and engagement we use the profit from our market based facility rentals and events to make community access and cultural engagement affordable. This creates tiered and affordable pricing for partners in community events. It is a robin hood strategy of sorts. On the expense side we contract event management and keep fixed cost to a minimum so we can expand and contract with demand. An accordion approach to managing our expenses. Moving on to the main attraction which is the school of arts and culture we use a combination of earned and contributed income to cover the cost. Everyone pays something. But keeping tuition affordable requires some philanthropic support and attracting that philanthropy requires asking funders to subsidize something they care about. Namely our children. On the expense side we build a menu of class offerings in partnership with content providers. Once again allowing us to expand and contract with demand and reduce our risk. Know that we based our income and expense projections on the capacity of the classroom, historical event data, local demand and advice from practitioners. And then we cut our ambitions nearly in half. To ensure that we were projecting at a very conservative level. Lastly, we asked the city to help pay for the facility-related expenses as Peter reported earlier, as well as build a cap in the reserve for future capital needs. This essentially is a forced savings account. Then using these three-year projections we grow into matching the City's investments three to one. So that is our plan in a nutshell. And your decision today is all about your willingness to give this plan a shot. We know that you are in a fiscal crisis. And if there were any time in history for you to consider shuttering this facility, it would be now. We get that. However, we also know that you could literally close every cultural facility you own, and not begin to solve your structural problems. Your nonprofit partner or partners in your cultural facilities actually help you to contain your costs and leverage the earned and contributed income of others to

benefit our community in a very real and significant way. That is what makes your decision today a justifiable investment during these difficult times. And if you agree we are ready to get started. So that brings us to the next three years. Year 1 is all about the startup. We build our team, we develop our systems, implement our marketing and fundraising plans and launch a menu of arts education classes beginning with summer camps in July. We also form a governance advisory team to begin working on a permanent governance structure that Chris referenced earlier. As incubator operator 1stAct hired Elisa Echeverria the day we signed a contract with you and Tamera Alvarado becomes fully dedicated to this plan. 1stAct has been awarded an encore fellow just recently from civic ventures who will fill the role of CFO for MHP in our first year. This essentially the a pro bono offering. Connie Osborn is a CPA with experience at Price Waterhouse, Solectron, and has started her own small business. So she will be a part of that team. 1stAct's loaned executive from Adobe, Michelle Mann, will join me in helping with the incubation and connecting the schools with a region-wide children's creativity and cultural literacy initiative that 1stAct is getting ready to launch. Year 2 builds in what we learn in year 1 and grows the programs and corresponding resources and we continue to make progress on permanent governance. Year 3 completes the proof of concept and the governance advisory team makes a recommendation on a permanent governance structure to city council that is anchored in three years of experience. And council is in a position to make an informed decision and that the community can support, and 1stAct hands back the keys. Each year, city council gets an update and approves the city investment maintenance and capital replacement and that essentially is the plan. In closing, Chris and I would like to thank our colleagues on the MHP steering committee for their hard work and dedication to seeing this -- their hard work and dedication in seeing this business plan through to its completion and for the community for their communication and support along the way and to Peter Jensen and Randy Turner for their patience, professionalism and perseverance. The 3 P's for Peter and Randy. And to Tina Soliska of Deloitte for the awesome slides she prepared for us. And lastly to city council for your consideration, thank you. [applause]

>> Mayor Reed: Thank you. I want to thank the steering committee and the staff for all the work they put in to get us to a point where you could make this presentation because I know it has been a lot of effort. I'll let Councilmember Campos has a memorandum that he put out, I'm sure he wants to speak to it but I'm wondering if we'll take the public testimony first before we get into the discussion of it, now that we've had the presentation. So

there are a lot of people that still want to speak. I'm going to have to limit you to one minute but after that presentation it shouldn't be too hard to focus your remarks on the decision that we need to make. And then we'll come back for a council discussion. So please come down when I call your name so you're close to the front. Jerry Mungai, Christine burrows and Bobby Yont.

>> Thank you again, mayor. After spending over \$30 million of taxpayer money to celebrate Mexican Heritage in '99 we're taxpayers of all ethnicities will continue to subsidize the plaza's operations. Now, 12 years later, we're expected to give \$1.5 million for three years. This is a classic example of a solution in search of a problem. Instead of spending money on core functions like street repair the city continues to promote multicultural motivated projects. My street is a category 4 street that is in serious need of major repair, yet it will not be fixed so the city can spend \$1.5 million to keep the plaza afloat. In summary, there is no money for -- there is money for multicultural projects but no money for street repair and apparently no money to celebrate our nation's birthday on July the 4th. I urge you to moth ball the plaza like we've done with police stations and libraries until we can find a buyer for us, thank you.

>> Mayor Reed: Christine burrows, Bobby Yont, Hector Amienta. Go ahead Bobby, I'm sure some people couldn't last the entire afternoon.

>> Thank you, my name is Bobby Yont. I'm the chair of the arts commission for this city and I'm here speaking on behalf of the arts commission for this city. First of all this has been a journey of two years of a lot of people across this city working very hard to come up with ways to make the Mexican heritage plaza more fiscally able to stand on its own and to decrease the A of public funding that are required to keep this wonderful facility in operation. This business plan has been vetted by the executive committee of the arts commission and the entire arts commission thoroughly, and the business plan passed the arts commission unanimously. I appreciate your consideration. We have some of the finest people in the arts community at work in the leadership roles of this operation, and I appreciate your approval in support of this business plan. Thank you.

>> Mayor Reed: Hector Armienta, L. Castellano, Carmen Castellano.

>> Good evening, Mayor and councilmembers. My name is Hector Armienta, I'm the executive director of Opera Cultura, also I've been in arts education for about 25 years. Many years ago I worked at another institution called the Los Angeles music and arts school which is a similar model to what is being proposed for the Mexican heritage plaza and I can tell you I was working as an administrator and I can tell you that the model they are proposing, specifically the business model is going to be extremely successful because it really is drawing upon partnerships with other arts providers and the incubation period is an excellent example of sort of getting all the bugs out to make sure that the plaza works well. So I hope you will support. Thank you.

>> Mayor Reed: L. Castellano, Carmen Castellano and Ruben Baron.

>> My name is L.Castellano, I am the co-chair of the Mexican Heritage Plaza steering committee fundraising committee. To date, the committee has raised more than \$100,000 in donations and pledges, in the support of the plaza community school art and culture. We will continue to request supporters, support from Latino individuals and organizations, throughout Silicon Valley. Thanks to all who have made a contribution to date. Thank you.

>> Mayor Reed: Carmen Castellano.

>> Good afternoon, I'm Carmen castellano, president of the castellano family foundation. And because of our strong believe in the mission of the Mexican Heritage Plaza, the Castellano family foundation has made substantial contributions to the plaza. Over ten years we've donated more than \$380,000 alone, to the residence companies, Teatro Vision, Mexican Heritage Corporation, San José MAG, and local business in San José. We have contributed \$35,000 to the steering committee work. We've also supported many organizations who have chosen to have their events at the plaza, like MACLA's Mayfair, San José society, San José jazz, national Hispanic university and many, many more. So the castellano family foundation has contributed at least half a million dollars to help sustain this beautiful facility and we pledge our continued support and we urge you to approve this recommendation. We also want to acknowledge the support of my colleague in philanthropy, the

Shortino family foundation, they are also totally committed to the plaza's new vision. They were here earlier, and had pledged their support as well. Thank you.

>> Mayor Reed: Ruben Baron maria Louisa Calmenarez and then Michelle Mann.

>> good afternoon. I'm here to speak on the importance of the arts in post industrialization educational paradigm that supports and favors an assembly line style of learning and awards. That's not only outdated but devastating to our creative capacity which is as valuable as our literary capacity as it relates to the richness of our human capacity and our capacity to flourish in the future. But what kind of future do our children have when California spends more on prisons than schools, when our nation has one of the lowest investments in education per child but yet one of the highest percentage of children among developed countries? See, how are we going to survive in a global economy that in the next five years will graduate more out of country college graduates than in all of U.S. history? I know times are tough and chances are they're going to get tougher but in order to survive in a new human ecology our children will need to be intelligent, but more importantly, creative and that cannot happen without the arts. Thank you.

>> Mayor Reed: Maria Luisa Colmenarez.

>> Mui Buenas tardes, Mayor Reed and councilmembers, my name is Maria Luisa Colmenarez. I'm the CEO for Don Santos Unidas of California, an alumni of Molly Class one, a program of 1stAct Silicon Valley. As an artist and arts educator, 20 years I'm here today to support the business plan for the consume of arts and culture at the Mexican heritage plaza as outlined by the steering committee and also to voice a vote of confidence in 1stAct Silicon Valley as the interim incubator. Please help this community deliver whole persons and citizens, whole citizens for City of San José. I know that it's been a rough day and I hope that you can agree and deliver a unanimous approval. Thank you for your time.

>> Mayor Reed: Michelle mann Rich Bragh, elisa.

>> Loaned executive to 1stAct. I wanted to just share with you that the Adobe and the Adobe foundation is committed to improving education for young people around the world. We see the arts as a powerful tool to generate 21st century skills that young people need to be successful in life. Unfortunately budget constraints had made it nearly impossible to include arts education in our school day and access to community based arts programming is limited especially for children and youth in low income communities. Adobe foundation recently granted \$25,000 to support the creation of the school of arts and culture at Mexican heritage plaza. We believe it is important to address the inequities in access to arts and support all of our efforts, yours included, to provide arts programming to all children of Silicon Valley. Thank you.

>> Mayor Reed: Rich Bragh, elisa Maria Alvarado and Rich Broad.

>> My name is Rich Broad, I'm the chair of 1stAct Silicon Valley. Our board recently spent five hours at Mexican heritage plaza in April touring MHP and reviewing this business plan. 1stAct is willing to be the incubator operator because we think it's the right thing to do for this community. We believe in the plan and we believe in the incubation team. Our commitment is to surround our team with the resources they need to succeed and create a sustainable pathway for Mexican heritage plaza's future. Let me join Connie Martinez for thanking you for this consideration.

>> Mayor Reed: Elisa Maria Alvarado.

>> Thank you for the opportunity to speak. I'm here representing Teatro Vision. Happy to support the business plan that's been presented to you today for the Mexican heritage plaza. Particularly wanted to speak to the importance of the Mexican heritage plaza to the Eastside of San José. With the cuts to the community services, community centers and prevention programs for youth. We are very concerned about the quality of life and opportunities for youth in the Eastside. So we ask of you to please support this important center and it's going to be a -- has the potential to become a center in so many ways, not only of the arts, but of community development. The plaza is the home of Teatro Vision and we look forward to being able to continue our work there and also in this past year we have developed curriculum that is literacy promotion for children, young

children and we look forward to the opportunity of being able to bring that curriculum to the Mexican heritage plaza. Thank you.

>> Mayor Reed: Rodrigo Garcia, Gabriel Pardo.

>> Good afternoon, my name is Linda Snook. I've lived in San José almost all my life. My children my family have grown up here. I have to tell you that the plaza has been an inspiration, an organization that has given back to the community and to our children in the past but I'm here to speak as a past volunteer coordinator for the plaza that we were very proud that the great number of over 500 children and adult volunteers that graced the plaza in the past are still many, many volunteer community members exist, and they want to make sure that all future projects will be able to be accomplished. And of course, so many great organizations and businesses that have donated money in the past had used the facilities in the past, have informed our advisory board that they will continue to support us in the future. I also have to say that in the short couple of weeks --

>> Mayor Reed: I'm sorry, I've got to cut you off there, your time is up. Rodrigo Garcia, Gabriel Pardo, Danny Garza.

>> Buenos Diaz, Mayor Reed and members of the council. I'm here to express my support for the school of arts and culture at the plaza because I believe it has a clear vision, it's doable and contributes to the growth of our multicultural landscape of the City of San José. Thank you.

>> Mayor Reed: Gabriel Pardo, Danny Garza, Roy Hiarbayashi.

>> I'm Gabriel Pardo, executive producer of Mexico extravaganza, a show made here in San José. I'm part of Molly class number 4 and today I think it's undeniable that we have there is a new plan that is actually very strong. It has a potential to make something great happen in San José and definitely by giving an opportunity to be this project you also giving an opportunity to thousands of kids. And members of San José or citizens of San José, to make something -- to make a stronger community here in San José, and it is not just an opportunity for

another business plan but it's an opportunity for a lot of kids and people to be much better in the arts and everything else in their lives also. So thank you so much.

>> Mayor Reed: Danny Garza and then Roy Hirobayashi.

>> Your Honor, honorable city council, I lived across the street from the Mexican heritage plaza all my life. I used to be I can remember watching the pickets at the Safeway store from behind the what is called the stand-up buildings where the wall is now it wasn't there when I was a kid. I can remember getting yelled at, getting sent to get public and using the light at King in Alum Rock. What a fantastic corner that is, what a fantastic building that is, not because I put up the steel there. But the people I got to work with, outstanding. I can't tell you how much I've learned, what an education. I need to thank you for allowing me to sit on there. What the only thing that needs to be done now is, the building across the street needs to be addressed. Not just cover up the graffiti. It needs to be addressed. It could look just like mission Carmel and that would take care of that corner. Thank you. [applause]

>> Mayor Reed: Roy Herobayashi.

>> My name is Roy Hirobayashi. I'm a founding member of San José Taiko. And I was also selected to be on the Mexican heritage plaza steering committee for the last two years. Mayor Reed, members of the city council, I would like to thank you for allowing me to speak before you on the school of art and culture at the Mexican heritage plaza. The reason behind this is a lot more than we can imagine. Not what happens in the Latino community but it's also important for the multicultural groups throughout the San José region but also the many ethnic communities in the City of San José. This institution is really a home for many different groups that use it throughout the year for many different reasons and many different families. So I thank you city council and members of city council for your help and support. I know you've had many difficult decisions today but I hope you'll support this today, thank you very much.

>> Mayor Reed: Thank you. I want to thank everybody who's been involved in this and I will bring it back for some council discussion. Councilmember Campos has a memo out but I'm going to call on Councilmember Rocha first. Oh I'm sorry, one more card John Zamora. I've been holding that card all afternoon because I got really early and got it in the wrong stack.

>> Good evening. My name is John Zamora, president of the newly formed United States Hispanic cultural and performing arts foundation. I've lived in San José 64 years of my 74 years of life. I support the school of art and cultural program that is being proposed by the Mexican heritage committee and 1stAct. I know there is some fine tuning still ahead but they deserve to get approval. The committee is familiar with past operations and have made adjustments to improving them and avoid failure. Culture incorporates traditions, education, tradition arts and music all components to create a civilized society for our children. Music is universal, understood by all continents of the world and what a wonderful asset to have in the city with a diverse population that comes from all parts of the world, what a wonderful way to be able to communicate with each other.

>> Mayor Reed: I'm sorry, John, I got to stop you there because I'll be losing councilmembers if we don't get this done quickly.

>> I support it, thank you.

>> Mayor Reed: Councilmember Rocha. -thank you, mayor and thank you councilmembers. I just want to support my cliques on this action, I am sorry I have to step out. My children have a concert and I honestly do not want to miss the performance so thank you very much.

>> Mayor Reed: City Manager did you have anything to say?

>> City Manager Figone: Yes, I want to state my thanks, for the staff work, Peter thank you for your leadership, Randy, Randy turner, Randy is retiring on Friday, wants to continue to be a volunteer. Elisa, and thank you Kim for providing a steady hand. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. First of all I just want to thank Connie Martinez, Tamera Alvarado from 1stAct, elisa Echeverria from MHP, our city staff for putting all the work that you all put into this, the MHP steering committee for all the hard work and commitment to ensure operations exist well into the future at the plaza. It took more than two years for us to come to this point. I believe the steering committee and 1stAct did an excellent job to outline a new direction for the plaza. Even though 1stAct's time will be for the interim period, I am confident that they will set the precedent that will move us forward again well into the future. As I was preparing for this meeting today, I reviewed previous actions taken by the council. For my findings I came across the March 18th, 2008 memo authored by Mayor Reed and then Councilmember Campos, in the memo it reminded me why it's important to have an operator at the Mexican heritage plaza. The memo stated that a goal to help promote the economic development of the Alum Rock business district is extremely important. Even though we may not have the use of RDA funds with time and successful execution of the business plan before us, I believe this goal will be achieved. Again I cannot stress enough my appreciation for 1stAct for taking this on. This really is a testament of what true civic pride means, even though the plaza is known as the Mexican heritage plaza, this shows that the entire City of San José has truly embraced the plaza and has taken it on as its own. And that should be commended. It is -- this is why I would like to ask my colleagues to support the staff recommendation, along with the additional recommendations I put forward in the memo that's before us today. With that, I move approval of this item.

>> Second.

>> Mayor Reed: I think Councilmember Herrera got the second. By .1 nanosecond. Maybe it was a tie. Councilmember Kalra.

>> Councilmember Kalra: Thank you, mayor and I want to thank Councilmember Campos for allowing me to sign onto the memo, of which I think is very well done in terms of getting further guidance. And excited to see

what's going to be happening in these next three years and I've also been watching over the last couple of years, as the community's been working. And I like what I've seen. I think it's been very professional and I like the fact there's been a lot of outreach and education done. Education of other models that exist so we're not trying to recreate something in our own environment but actually seeing what has been done and what can be done. I want to thank there are so many people that have been involved, certainly want to thank elisa and Tamera and obviously Connie, and Chris, and Bobby spoke and have been supportive, the castellanos, and Danny for some perspective of the neighborhood, I think is appreciated as well as your work. And of course our staff with Peter and Kim and many, many others that were involved in the process, that's what's made it a good process. There's been a lot of voices involved and a lot of input involved. And I think that the dual purposes of looking at the contributed and earned income certainly, I think that you're spot-on in terms of what attracts earned income. When you are talking about kids, arts and kids and really trying to get foundations and corporations involved, individual donors, that's really going to attract people. I think I'd like to see as much energy put into the earned income side, acting such a great facility, I've been there so many times for a number of different events, weddings, across all cultural boundaries, I think it's such a great asset for the city, if we look at the earned income side, keep our mind open to all the opportunities that this wonderful facility presents. I'd like to bonus on the memo I signed onto of allowing the neighborhood associations to use the facility for their meetings. It's one small part in bringing the neighborhood and giving the neighborhood ownership over the facility and making it more part of the neighborhood and so I think that's one nice little touch that I think will add to the value of the plaza. So thank you all for your work and I'll be supporting the motion.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you. Sitting here listening to speakers it dawned on me what -- how incredibly fortunate we are as a city to have a wealth of community and cultural leaders, who are willing to invest in the extraordinary amount of time and energy, to really make this jewel of our city, the plaza, shine. I absolutely love the vision, Connie, thank you for jumping in. I know you didn't ask for this. You get tugged in a lot of directions and 1stAct does as well and I'm really thrilled that you were willing to take this on and you've got a great team and I think we're very fortunate to have elisa and Tamera on board and leading the effort. I just wanted

to thank all the community leaders that came out, including those of you who didn't speak. I mean, I see Jesse Morales and Manuel Simbres and many other folks who have been pillars in many ways of the plaza over the years. I'm just really grateful that so many are willing to come to really shape this vision, at a time when we really badly need all the help we can get given our own challenge as a city. And we really leaned heavily on the community and the community has really come through. So thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. As I sit here I'm really inspired by everyone who is here at a and a commitment to making sure this happens. Connie Martinez 1stAct and Chris Esparza, the Castellanos for their continued commitment to the community and making sure the plaza succeeds. I'm a long-time resident of East San José and I remember when having a plaza, having a Mexican heritage building facility was a dream, and so now I really see the next step in order this vision. And I'm just very grateful to all you guys being here. As Councilmember Kalra mentioned the school of arts I think it's brilliant that you have really identified what's going to make the funders contribute money. And so I think it's a great concept and I think that as that is successful, and we maintain that core of services and I think you can build other opportunities for earned income but I think that is a really solid core idea that I think will move this whole thing forward. I also want to say that you know as chair of Community and Economic Development, this is really a big piece of economic development, too. I think that's been said before. The arts is an integral part of this. And this is what -- these are the kinds of visionary things that we have to continue to look towards even in the worst kind of budget times that we're in we have to look at how we're going to grow and enrich our community, this is a wonderful driver of economy as well as a wonderful arts opportunity. Thank you.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I also wanted to add my appreciation to the committee members, the city staff as well as Connie Martinez of 1stAct, thank you, Councilmember Campos for leading this effort. I will be supporting the motion.

>> Mayor Reed: City Manager.

>> City Manager Figone: Thank you, mayor. The City Attorney has advised me that I should slow that Kim and I are members of the 1stAct catalyst team. We are not members of the board. The purpose of the catalyst team is to bring in those leaders of the different organizations, in particular, the city, to advise on policy issues affecting the city and in particular, downtown.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I need to disclose I'm also a member of the catalyst team.

>> Mayor Reed: Thank you. Well I am going to support the motion, but I have to remind everybody, this is not a budget decision. We still have budget decisions to be made. And the fact that we're contemplating putting \$600,000 into the Mexican heritage plaza I think is indication of how important it is for us to give this a shot. And -- but nobody gets a free pass. 1stAct has taken a big risk. We're going to have to take some risks. Because we want to preserve the Mexican heritage plaza for the vision that we have for it. And every time I start thinking about the Mexican heritage plaza I always reflect onto 1777, when San José was founded by a group of Mexicans, American-born Mexicans, who founded our city, and for 75 years, first under the Spanish flag then under the Mexican flag but nevertheless these were Mexicans. They founded our city and for 75 years before we incorporated had a great deal to do. And since then have continued to contribute to the city. And do I not want to lose touch with what is our collective heritage. And the Mexican heritage plaza is an important link to that through the arts and culture that has not only created our city from the beginning but has become part of our city. So it's very important to the community, it's very important to me but nevertheless it's \$600,000. That's lot of money when we're closing community centers, keeping our libraries shut, laying off police officers, firefighters, that's a pretty big ask. But the good news, it's coming down. And I think that's important to note that city money going into the plaza is coming down substantially from previous years. As we've asked our other buildings that we own, that other people run like the tech and the rep, and others, we've asked for them to reduce the subsidy from the city so

it's good to see that Mexican heritage plaza reducing that number. But I don't want to leave anybody the impression that things are going to get better next year. And those of you who care about this need to get engaged with helping us solve our fiscal problems because as bad as this year's budget is, next year's will most likely be as bad or worse and it will always be a challenge to fund this. We have 41 community centers that we've now closed and are dealing off to other people. So we're constantly looking for ways to fund things using other people's money. So I love to hear the castellanos and the others saying that they're going to come in with some of their own money and others to help us provide a service to our community with other people's money, because we don't have the capacity to do it all ourselves. But I think there are a couple of things you might want to consider as you're ramping up to being organized. One is this community relationship which is important and quoted in the memo, because this does need to act as a community center for some of these folks who live in the neighborhood. I think that's an important role and you ought to think how you could connect the arts, the mission of the art with the mayor's gang prevention prevention task force. Because I know that every kid can be reached in different ways, and some of those kids can be reached through art. And if there's an opportunity there next year when we're defending the budget and you have done the work that you have to do that will make it a little easier for us to make a tough decision next year. I want to thank 1stAct and Connie for being foolish enough to get tasked with the with another mission. I do want to thank the 1stAct board for letting Connie do this. And with that, I'm going to be happy to support the motion. But do come back on budget decision day, which is probably I think June 21st. Because there are folks that think this is a big waste of money, and we have tough decisions to make. So don't just assume that you can go away and never hear from us or us never hear from you for a long time. We need your help, soon. On that, anything else, Councilmember Campos, we have a motion, all in favor? Opposed? One opposed, Councilmember Oliverio. I think we got enough here, that certainly does carry. And whatever the vote is. Thank you very much. Thank you all for being here. Last item on our agenda would be the open forum for those of you who haven't had enough talk can you stay around here for a few more minutes. [applause] I have one request to speak. I have to confess I can't read the name very well. Whoever you are, you know who you are, come on down. I think it's Mario villagomez, but I'm not certain. Is there anyone who wants to speak on open forum? Raise your hand. If not, we're going to close this meeting and go to dinner. I see no one that wishes to speak. That concludes our meeting. We're adjourned.