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>> Vice Mayor Nguyen: Good morning. I'm starting this morning for Mayor Reed, who will join us hopefully very soon. But we are continuing with the city council budget study session. And today, we are hearing from the transportation and aviation services folks. So I don't know if Hans or Bill one of you are ready to start?

>> Hans Larsen: Ready to go. Vice Mayor, members of council, I'm Hans Larsen, Director of Transportation. And joining me on our panel for our transportation CSA overview presentation is airport director Bill Sherry, airport chief operating officer Kim Aguirre, and assistant director of D.O.T. Jim Ortbal. The shared mission of the transportation and aviation city service area is to provide the community with safe, secure, and efficient surface and air transportation systems, that support San José's mobility, livability and economic vitality. This slide lists our strategic outcome. And this slide here lists our key core services that are delivered by the departments of transportation, airport, and police. We will begin our presentation with airport director Bill Sherry providing an overview of the air transportation program and budget. Bill.

>> Bill Sherry: Thank you, Hans. The air transportation CSA element, our goals are first and foremost, safety and security. We want to send every passenger and employee home in the same condition home as we got them in. Next, competitive service delivery to support the economic viability and then finally to provide viable efficient traveler amenities that provide competition for air service. Proposed budget actions in this year's budget including the outsourcing of airport parking and traffic control service, the construction and operation of a shared use lounge, customer cart service and oversize bag delivery and a collaborative air service marketing program with an airline. The work plan highlights, we for air transportation attract new and support existing air service. Maximize nonairline revenue which is our West Side development and maintain competitive rates and charges, consistent with council direction to maintain a cost per emplaned passenger below \$12 and prepare for future challenges which is a nice way of saying, we're not out of the woods yet. So in summary, we want to first -- our first priority, as I noted, is airport safety and security. To seek cost-efficient alternatives for service delivery, and innovate, compete, and recruit air service. With that I'll turn it back to Hans.

>> Hans Larsen: Thank you Bill. For the surface transportation system our focus areas for service delivery are to provide safe and viable transportation choices consistent with the goals of the envision 2040 general plan, and

with an increased priority on walking, biking and transit use. We have had continued success in obtaining grants and regional funds to modernize our transportation system. We are delivering projects to enhance our traffic signals. We are improving the quality and energy efficiency of our street lights. We are making progress to enhance our bicycling facilities, and in partnership with the VTA, the long-awaited extension of BART service to San José is now starting construction. However given our very limited resources for transportation infrastructure maintenance, we find ourselves working in a triage mode where we have to make the tough choices to focus our services on the facilities that have the highest use and economic services. For our surface transportation system we face the challenges of an aging infrastructure, with a deferred maintenance backlog that has grown to over \$440 million and with a pavement maintenance backlog alone growing to almost 300 million. At the same time we have perhaps our most serious challenge, and that being the decline of revenues to support surface transportation. There are three key issues: The direct city General Fund revenues that have supported transportation have virtually been eliminated in the last decades. Our largest funds coming from state and federal gas taxes which are declining as gas consumption is reducing. On top of that, with the state's elimination of redevelopment agencies, we are faced with the challenge of addressing commitments for transportation investments in downtown, North San José and Edenvale, totaling nearly \$100 million previously expected to be funded by the redevelopment agency. Nevertheless, the Department of Transportation has worked hard to be innovative, efficient and resourceful to best address the basic needs of our transportation system. As an example, our landscape maintenance service, in that area, we have implemented a creative hybrid service model that includes about 20 maintenance assessment districts, the adoption of about 70 landscape areas by community volunteers, up from about five a couple years ago, and the use of inmate labor working in coordination with the county Department of Corrections. For pavement maintenance last year we tested a new recycled in-place pavement removal and resurfacing process on Monterey highway and saved 23% in project cost totaling about \$1 million. For our budget highlights, this past decade has been a tremendous challenge, as each year we have reduced our budget and cut services. However, I'm pleased that this budget for the first time in a decade offers some modest opportunities for strategic reinvestment. In March the city council approved a set of priorities for street pavement maintenance, focusing on the major streets that are used the most. We have a 2400 mile network of streets, and this budget fully funds maintenance for the highest priority 400 miles that we now call our priority street network. The proposed budget also includes new one-time General Fund investments to reduce the

maintenance backlog in certain areas. This includes the ability to replace missing or reflective pavement markers and refresh faded roadway striping, prune city trees in median islands, repair defective vehicle detection sensors at traffic signals, and replacing aging radar speed display signs near our schools. Obviously, these are basic infrastructure needs that we're able to make some improvements on. In our traffic capital budget we're able to add funding for projects to make our major streets safer to cross for pedestrians, children and seniors. Also our traffic and parking capital programs include funding to cover prior redevelopment agency commitments related to the autumn parkway project, North San José commitments and debt service for the fourth street garage. Our work plan for them year is simple and straightforward: We want to continue to provide basic services for the operations and maintenance of the transportation system with an ongoing focus on efficiency and innovation. We will implement funded projects through city sources, obtain grants and partner with other agencies with a focus on projects that support safety, condition improvement and city policy goals related to the Green Vision, the general plan, and economic development. And at a strategic level we will need to continue efforts to address funding of our pavement maintenance backlog as well as former redevelopment commitments supporting economic development and debt on parking facilities. In summary, I wanted to just focus on three key points. First, we want to restore our safety improvement trend. Over the last 20 years we have had continuous improvement in our injury crash rate to the point that we proudly have a crash rate that is half the national average. However, as the chart shows, our improvement curve has flattened, due to a lack of investment in safety. We believe the new investments in this proposed budget primarily in the capital program will help get us back on track. Second, we need to collectively continue our focus on increasing investment for maintenance, and modernization of our transportation system. The city council has already provided staff with direction to consider an infrastructure bond measure and/or a sales tax increase. Polling work is now being done to gauge community support and priorities for transportation and other city infrastructure needs. In addition, the city council is directed staff to also modernize our development taxes to better align our economic and transportation development goals. Finally, I don't expect that we can immediately address all of our aging infrastructure needs so the continued reality is one where we will need to remain strategic in setting priorities for scarce resources. The picture on the right here shows one of our streets in poor condition. This is probably an extreme example of a street in very poor condition but we do have today 21% of our streets rated in poor condition. At current funding levels by 2020, about 50% of our streets will decline into poor condition. If there's not the funding and community will to fully address our large

backlog of transportation infrastructure needs our difficult challenge will be to determine which part of our system do we save and which part do we allow to continue to decline. Our past decade of budget shortfalls have taken a toll on the condition of our transportation infrastructure, however, this year offers some glimmer of hope that we have reached the bottom and have some investments and strategies for recovery. That concludes our presentation, be happy to take your questions.

>> Mayor Reed: Thank you. I'm sure the council is going to have some questions. I want to start with aviation and just acknowledge all the work that's been done in aviation over the last couple of years dealing with pretty severe budget issues and also acknowledging that we're not out of the woods yet. We still have a lot to do and there are recommendations in this budget that will help move us along. And I'd like to have Bill just give us a little bit more information about what we need to do, not just in this budget but the things we needed over the next several years so that we're prepared in 2017, when we sort of run out of reserve funds, the bond funds that we have. And just identify those things that are likely to be coming to us in future budgets or future mid years or whatever that may be.

>> Bill Sherry: Thank you, mayor. Bill Sherry, director of aviation for the City of San José. I think we were just talking before we got started with the presentation, and it was kind of interesting from an infrastructure standpoint, we're very different. Where the airport is in pretty good shape from an infrastructure perspective. Our other CSA partner is not. So I think looking ahead out through 2017 and beyond, from an infrastructure perspective we're pretty good. Once we complete taxi way whiskey that will allow us to develop the West Side which should generate upwards of five plus million dollars which is needed revenue for the airport. Over the course of the next five years we're able to meet the council's direction of maintaining a cost per emplaned passenger below \$12 but we are only able to do so by using excess bond proceeds. I think you all know that the terminal area improvement program was very successful. It was a \$1.3 billion program that finished or will finish roughly about \$160 million under budget. So we have excess bond proceeds. And after you take out all the various different reserves and expenditures still necessary to complete the program, we're probably sitting with about \$75 million that we can use for debt service payment that helps us lower our CPE. But I think we all have one goal, and that goal is that we want a sustainable airport. We want an airport that has revenues that can match its expenses. In order to do

that, we need air service growth. And so I think, mayor, to answer your question, I think the main focus over the course of the next five years will be air service development and marketing. We have an excellent airport. We need to fill it. So from a staffing standpoint, we're focused on maintaining the excellent infrastructure we have. But from a city perspective and an airport initiative perspective I would say that air service development is our key priority.

>> Mayor Reed: Okay. And how's it going with ANA for example?

>> Bill Sherry: As a matter of fact, we started meeting with ANA on operational issues. We've -- we're working with them to sign an airline, airport lease agreement. We have great expectations that they will commence service. As a matter of fact, I think they would have commenced in 2012, the only reason it's being pushed back to 2013 is due to the production schedule of Boeing and what they're able to deliver to airlines for the 787s. The 787 is a game-changer. It opens up international markets to what I call secondary cities other than hub cities like San Francisco and L.A. So it's an airline that really opens up a lot of potential for us not only to Tokyo and Asia but also to Western Europe. In terms of the airlines, we're still seeing modest decreases. But I think we've hit bottom. We've recently had a discussion with American airlines, to renew their lease agreement and I'm very pleased to say that American has committed to bring new flights back that were cut post-bankruptcy so that's encouraging. I guess the biggest obstacle we have is U.S. carriers are not in a growth-mode just yet. The deliveries they're taking from both Boeing and Airbus are simply to replace retiring aircraft, so they're not adding more seats and more aircraft to their fleets. Nonetheless I think we have a very good story. We have a very vibrant economy in South Bay. San Francisco is at capacity. We've got an airport that is the most on-time airport with the best facilities in the U.S., if not the world. So with all of those things going for us, I think we have an optimistic outlook. We just have to get out there and convey that story and continue to beat the drum.

>> Mayor Reed: Thank you, Councilmember Constant.

>> Councilmember Constant: Thanks. Bill, can you expand a little bit open the shared use lounge, how that's going to work, the purpose, how the construction operation is being funded, things of that nature.

>> Bill Sherry: Okay. The shared-use lounge, first off we budgeted that in the budget, under the worst-case scenario. Meaning that we have to fully operate it, and the cost of that would be \$600,000. Now, having said that we're very optimistic that only will it not cost us, but it will actually act as a concession and a revenue generator. But it's kind of a pilot and until we get underway we don't know for sure. So the budget reflects the worst case. Hopefully next year I'll be able to tell you that it's a revenue generator. There's two primary reasons for proceeding with it. The first is ANA. That they need a lounge for international service. So that was a very big item for them to ensure that we have an operating lounge. But having said that, we would have proceeded with it, with or without ANA. When we do our customer and passenger surveys it is the number one complaint amongst our passengers. We have greater than a 50% ratio of business travelers to leisure travelers and the business travelers want a lounge to be able to go in, do their work in a quiet, peaceful environment and so that always ranks number 1. So the airlines, unfortunately, this ceased operation of their lounges at our airport. So opening up a shared use lounge it allows us to cater to all the passengers and we expect quite active involvement from our airlines so they will help contribute to the operation of it. I don't know if that answers your question.

>> Councilmember Constant: Yes, it did, thanks. And then Hans on the long term infrastructure plan I know we've talked about this a bunch of times. In the numbers you've given us the \$100 million investment over the extended period of time plus the ongoing needs after that, how much is that increasing each year, how much is the need each year when we're not fully funding it so will it be 105 million the next year and \$110 million the next year is it easy to figure those things out?

>> Hans Larsen: Councilmember Constant, what we've established is a \$100 million a year investment target will actually allow the conditions of the streets to improve from where they are today. So we have a current pavement condition index rating of 64. Our goal is to try to get to 70. So the \$100 million target allows us to improve from where we're at. What we've described as sort of the cost of doing nothing is that the condition of our streets will become more expensive to maintain, the longer we wait. And so the numbers we've reported is, the last two years, the backlog has increased from \$250 million to about almost \$300 million. By year 2012 that could increase as high as \$860 million to be able to recover in the year 2020. So eight years from now. So I think if you

look at from that perspective, you know if we want to recover in a ten-year period, dealing with the backlog we have today almost \$300 million, if we had \$30 million a year for ten years we could deal with that. But if we're dealing with an \$800 million number we'd need to be spending \$80 million a year for ten years just to deal with that large a recovery. So in the order of, this could cost us you know a delta of about \$50 million a year looking at kind of a worst-case scenario from where we are today.

>> Councilmember Constant: And I remember when we first talked about this we were given two numbers, I believe it was \$100 million a year for ten years and the ongoing would be \$80 million after that or \$140 million for ten years would really get us caught up completely and then that number would drop going forward, just to maintain it, is that correct?

>> Hans Larsen: Yeah, that's correct. What we're looking is 100 million target allows us to recover and deal with the backlog that we have. If we're able to fund that and fully recover, our needs, without taking into account sort of the cost of future inflation but in today's dollars, we could probably expect that after ten years of recovery, looking at something like a 75 to \$80 million amount in order to sustain the improved condition level.

>> Councilmember Constant: Thanks. I just think we need to figure out a plan and execute a plan. I'm not talking to you, I'm talking to us up here. We've made little ground in fixing our ground, and we've got a lot of work to do. And every year when I look at the budget I see a bunch of money being spent on things that have a marginal return on investment when we're not funding things that could be providing us a very good return when you cost-out the cost of inaction or minimal action. So I hope we can figure out a way to put more money in this going forward because if not, we're just going to see our city start to crumble beneath our tires. Thanks.

>> Mayor Reed: Any other questions on this section? These various departments? Okay. I'm not sure all of the indicators are working. Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. Looking at the air transportation on 87, where it talks about the staffing. And since 2008, a 50% reduction in authorized staff. In last year's budget I'd asked the question about staff, and you had shared with me that you were not laying off staff or reducing staff last year.

>> Bill Sherry: I'm sorry, councilmember, can you repeat did question?

>> Councilmember Rocha: Last year at the budget hearing I and asked if you were reducing staff, and you had said no. Does memory serve me correctly, or is that correct?

>> Bill Sherry: Last year we didn't, but this year we found this service delivery that has the potential of reducing operating cost by \$1 million. And given that we've had no growth in air service, we've determined that this is a service delivery that's best delivered from outsourced services. So we've concluded that this is a needed budget proposal, in this year's budget.

>> Councilmember Rocha: And what about executive management level are you seeing any reductions there or eliminations or are you still at the same level as last year?

>> Bill Sherry: We've when the airport -- let me go back a couple of years. The airport had roughly about 400 FTEs and we took that number over the course from 2008 to current down to 200. So there's been -- you know we've lost one in every two employees. Throughout that whole decline, I'm very confident, and I can demonstrate that it was proportional decline. Both with senior management as well as middle management and line staff. As you pointed out last year, we thought we were through with reductions, except now, we've determined that this work service can be outsourced. So this year's budget, no. There's no additional management staff. But again I feel very confident I can show you that it was proportional tall way through the declines.

>> Councilmember Rocha: Okay, thank you. I was actually looking at a different way in terms of investment. We talked about where the biggest bang for the buck is in terms of what the airport needs, additional flights and et

cetera, et cetera et cetera. We beat that quite a bit. I was curious if you considered hiring additional staff at executive level or management level to focus on that or you feel the resource is enough to satisfy your needs.

>> Bill Sherry: No, councilmember, I appreciate you bringing that up. I'm not satisfied where we are currently, in terms of marketing and air service development staffing. We have had this year a pretty significant change in people leaving. And I think that opens up the possibility for us to bring in new skill sets and put a greater focus on marketing. So earlier, the mayor asked what our focus is for the years ahead. And I think that this year, we're going to put a very strong focus on getting strong skills into those positions. We're looking at the creation of a position called the business development director, that can look for other means, in other business areas that can develop and generate revenue. And our air service development director will be leaving in just a few months. And so we're currently recruiting for a new person for that position. And I think it's very important that we get someone with good skills and understands that business.

>> Councilmember Rocha: Great, sounds like you're a little optimistic about being able to move in a different -- not a district attorney direction but as you mentioned new skill sets and I think that's very hex. Thank you.

>> Mayor Reed: Councilmember Campos.

>> Councilmember Campos: Thank you, mayor. Just a couple of questions. One going back on marketing. Can you just give us a summary as to what we've done marketing towards the very, very South Bay which you know, is the Monterey Bay area, San Benito county, Monterey County, Santa Cruz county, that would almost seem like our natural customers that would probably -- that should come to our airport for not just domestic flights but international flights and particularly to Latin America, Mexico.

>> Bill Sherry: Yes, councilmember. If we were under normal conditions, I would say that it's almost a 50-50 work effort, 50% trying to recruit new service and 50% trying to educate the population in your catchment area to fly San José. But we're not under normal conditions. We don't have a problem with our residents and our population wanting to use our airport. Just about every flight we have is full. And so looking at our challenges, the

focus ahead is really not directed at educating our population about the services we offer, but rather, to try to get the airlines to put more flights into San José. Every time we announce a new flight, a good example is, Hawaii. A year ago, we had seven weekly flights, one daily. To one island in the Hawaiian islands. Today, I think we're up around 32, 33 weekly flights. And to servicing four islands. And the load factors, meaning the people that occupy the seats, are incredibly high. So we're finding when airlines put service in, the resident and the businesses quickly respond. The problem is, we just don't have the flights. Now, having said that, we have ANA coming in serving Tokyo. And I've long said that there's two thresholds you have to pass in getting new service. The first is to get the service in. The second is to keep it. And so we've crossed one of those thresholds with ANA, their announcement to put Tokyo service in. Now we have to cross that second threshold which is ensuring that that night is successful. So that's what that 250,000 is in the budget. That will match dollar for dollar what ANA will put up. And on that there we will be educating the public, and more specifically, the business community, about that service, so that they don't go up to San Francisco, and they use ANA service out of San José.

>> Councilmember Campos: You know I've been having conversations with the consul general of Mexico. And his region covers the San José consulate covers everything that way. Santa Cruz county, Monterey, San Benito. When he gave me the numbers of Latinos that live in that jurisdiction, it's about 600 plus thousand. Most of them you know of Mexican descent. And it almost seems like we're not tapping into an natural marble for international flights for Latin America or central America. So I would like to see just as much emphasis going to our eastern international destinations as well as our European international destinations, those obviously look at our much more or seem to be much more prestigious than flights to Latin America. But you know the purpose of the airport is not just for prestige. You know it's to create you know to and from opportunities for people that you know live here and they're relatives and tourists. So that's just some feedback. My other question regarding the 20 traffic control and parking positions, is that -- how much of that is parking? Because isn't -- aren't our parking garages already operated by a contractor?

>> Bill Sherry: Yes, councilmember, we outsource the specific operations of the toll plazas and the garage operations. The 20 PTOs parking control officers staff the curbs at terminal A and terminal B and that's not quite a 24-hour service but it's close to 19, 20 hours a day. And they enforce the TSA regulations on the curb. As I noted

earlier, we've concluded that there's the potential for a million dollar ongoing savings. So those employees are being transferred over to our CSA partner, D.O.T. And we will outsource with -- we have a contract with first alarm that can provide those services initially.

>> Councilmember Campos: So those positions are actually just being moved over to another department?

>> Bill Sherry: Yes.

>> The positions are being eliminated at the airport. Many of the employees at the airport have seniority rights and will be bumping some of our parking and traffic control officers in D.O.T. We are looking for redeployment opportunities for those staff in D.O.T. that would be impacted by the proposal. So we're in kind of engaged in that process working with the airport and preparing kind of it's a plan that has different phases to it councilmember, initial phase of five employees transferring in June five more at the end of September and five more at the end of the calendar year. By spreading it out we're trying to create opportunities from some of our employees that are being bumped into other positions in the city.

>> Councilmember Campos: So we still don't know what the net loss in employees would be on that?

>> That's correct. We don't know the net loss. We know the number of positions in the airport proposal that are being eliminated. They have 20 positions, as Bill's described, five of them are vacant so there are 15 people that need to be transferred. And then in the three phases of five people each. So we'll know kind of if specific employee impact as we move through these different phases. Once again our goal is to try to find employment opportunities and try to see if we can maintain those employees in the city.

>> Jennifer Maguire: And Councilmember Campos, Jennifer Maguire. As I mentioned on the opening presentation we do expect to have at least 450 vacancies left after this budget process is -- or our recommendations are approved by the city council. We are pretty confident, although no guarantees that we will be able to find the opportunities for these employees. We're also looking at phasing the training so it's not just

related to preventing the layoffs but we also need to do this from a practical perspective for training because it's a whole new set of codes and things like that that the employees need to understand and learn. So we do feel pretty confident about it. I personally looked at HR at the other classifications that are available, we do have a lot. Also the parking and traffic control officer classification does tend to have a little bit more turnover than others, so that also will create opportunities as we go forward over the next six months.

>> Councilmember Campos: So do they have -- do they have -- right now are they currently writing tickets for folks that have left their cars there at the curb?

>> Yes, Councilmember Campos, they have the ability to write tickets for any kind of traffic violation for violation of security and safety rules.

>> Councilmember Campos: So then the contractor would have the same ability to write tickets?

>> That's correct.

>> Councilmember Campos: And the same ability to you know move traffic along and so forth. So do we have a complaint or feedback system to be able to deal with, you know, with the contractor? You know I mean, it's easier when they're your own employees and you know you can deal with them a lot easier than -- than a contractor. There's still you know a lot of stuff's out of our control when it goes to a contractor.

>> Right now, the contract employees have the ability to provide the traffic control. The citations is -- we require City Manager approval and that will take place in the next amendment to the contract. And as far as the feedback process, there will be, as we go forward, and as currently exists, a mechanism for providing the feedback, and getting all the complaint information and issues to the airport phone lines and through the airport supervisory staff that will work with the contractor.

>> Councilmember Campos: So is that -- is that contract already in place or is it --

>> There is a contract in place right now that has been in place for first alarm through the last few years in the city. It expires I believe in the spring of next year so we'll be going out for a new RFP. So in the interim we'll be amending that contract to include the traffic control's already in there. We'll have the City Manager approvals for writing citations and then the new RFP will go out on the street probably in the spring sometime.

>> Councilmember Campos: So what are they currently doing for us right now?

>> At the airport they provide services during the midnight hours. We constantly need security services as a result of the TSA requirements but at that time there's very little traffic so we've had them in for quite a few years at the airport and they do other services throughout the services. I'm not sure what other services they provide through the city.

>> Councilmember Campos: Okay so right now -- okay. And then this will -- you will do an RFP for this you'll come back for an RFP is there a time line for that?

>> I believe it's in the spring that we'll have to go out for an RFP for services.

>> Debra Figone: Just to be clear, in order to implement this recommendation we'll use the existing contract.

>> That's correct.

>> Debra Figone: And we'll put in place what is necessary in order to give the contractor the authority that is needed to act on behalf of the city, is that correct?

>> That's correct.

>> Debra Figone: Thank you.

>> Councilmember Campos: It would be an addendum to add this contract?

>> That's correct.

>> Councilmember Campos: Again we have this contract in place. I would, again, highly recommend, if there's an ability to be able to encourage the contractor to look at the local workforce, you know, I mean, again, these are -- these are tax dollars that are -- I know they're coming from use fees and so forth. But our airport primarily serves the local market. So our residents are contributing to that use fee. And if there's any way that we're going to speed up the jumping of our economy, you know, we need to put you know paychecks in local people's pockets so they can contribute to the economy. Thank you very much. Very good report.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. And yes, thank you Bill, thank you Hans and the staff. You know it's a tough time at the airport. I sit on the airport committee, subcommittee along with the mayor and my other colleagues so we've been looking at these issues extensively. So Bill can you just quickly update us on what has been the progress with the business community that has been working? Because as we know we need to get more flights. People that -- you know the flights are full. People are flying whatever there is to be flown out of San José and you've done a great job with that. We just need more airplanes and more people to fly on. I think it's great, that the mayor and others have been, the leadership group with Carl Guardino, have been working with CEOs, because we really need to get that message to the companies, who can then get the message to the air carriers. We need -- we want our people to be able to fly out of San José since a lot of them live around here and live in the South Bay and we know they are driving to San Francisco and probably those CEOs would rather see greater productivity for their employees and not spending so much time driving on 101. That said, what tangible et cetera from the business community reaching out and trying to do that, can you help me out what progress has been --

>> Bill Sherry: Thank you councilmember thank you for asking that question. I would say just a few years ago, the engagement of the business community was almost nonexistent on air service development. Now they are very engaged in the development program but on air service development they were not. And I think that that's been a complete turn around. I have to thank the chamber, and Matt Mahood and as well as the leadership group and Carl Guardino. I don't think that we could have secured the ANA service without that engagement. That was critically important. We also have a CEO task force, which the mayor co-chairs. And that task force has been instrumental in meeting with airline executives. I think that we have a pretty good shot of securing service to London. And if it were not for that engagement, I don't know that we would have that. I think we also have a very good shot, and I can say it publicly, that David Cush, the CEO of Virgin America when he was down in San José giving a speech before the San José rotary club, that he will commence service at San José in 2013. And again, if it were not for the engagement of the business community both at the chamber as well as the leadership group I don't know that that would have happened. The mayor has been instrumentally involved and I can't overemphasize the importance that that level of engagement means to airlines. We've met with many airlines that have the potential of providing expanded service to Asia as well as Europe. And they've said to us repeatedly, that we have one of the finest airports in the world, and they're very impressed with the high level engagement both with the city and the business community. I think that we probably would have that service now if it were not for aircraft availability. So the number of carriers, I don't want to name them, but they have us on their radar scope, and as soon as new aircraft are available, I think we have a very good shot of getting that service.

>> Councilmember Herrera: So Bill, just so you can explain for those of those folks who don't quite understand airline business here. Usually when airlines are looking at making a decision to add flights, is it the case that they're going to pull existing flights, or you talk about new aircraft, when they order new aircraft is it more likely that they're going to put a flight in when they have a new aircraft order come in, and kind of explain why that's the case maybe.

>> Bill Sherry: Okay. The scenario differs from carrier to carrier. Also, foreign flag versus U.S. flag carriers. So let me address U.S. flag carriers first. They're really not taking deliveries of new aircraft, other than replacement of existing aircraft. So when you look at the carriers in the U.S., they're not adding seats, or total number of aircraft

to their fleets. So if you're going to be successful in gaining a new domestic destination, you really have to use the word steal or rob from some other city. So you've got to go in and convince the airline that the yield or the profits they're making between two city pairs are better serving this airport than they are to other cities. With the foreign flag carriers it's a little bit different. The foreign flag carriers are -- their economics are allowing them to take deliveries of aircraft and expanding their fleets. And so there, we have the opportunity. The one airline that I don't want to mention in particular has orders for specific aircraft, and we've been told in 2013 one of those aircraft might be allocated to our airport.

>> Councilmember Herrera: So it's basically less of a risk for them to take a new aircraft and set up a new flight, to take a risk because it's take a risk whenever they move to a new city to do that with a new aircraft, than it is to pull something where they know it's working at a city and move it to somewhere else, that's a higher barrier, a higher threshold to get them to do that?

>> Bill Sherry: You're right, councilmember. Any new service is high risk to begin with but to be taking an airplane that is drawing a market to put it in another city is even that much more Rick so that's the hard sell.

>> Councilmember Herrera: I'm glad we can talk about virgin America, I'm very excited about virgin America in San José, I think they belong in Silicon Valley with Silicon Valley branding and all the folks who live in Silicon Valley and the high-tech community it will be great I'm just going to say when we have their flights. They have said 2013. Economics can make a difference and we can't put that in the bank but I'm optimistic that that will happen and hopefully, we'll see the virgin effect start in San José. Where one goes others follow, we'll very happy that they did and I know that the folks that fly out of here are going to be very happy because they provide a great service, they certainly do. So we will hope and work hard to make that happen. So I wanted to turn to transportation. And Hans, thank you Bill. And I also want to say thank you to Matt mahood and the chamber. I mentioned the leadership group but yes, the chamber participated as well in that and that's good and thank the staff. We're really excited about the highway improvements that are coming soon at Tully and one 01 and oops are really thrilled that this is going to be happening so I just wanted to commend staff. This is been a number one congestion point at least in folks in my district so this has been on the way for many years. So I'm really happy to

be the councilmember that gets to be in office when this thing finally concludes and we get to see those improvements happen. I just wanted to let you have any comments on that Hans.

>> Hans Larsen: Yes, we are really pleased to secure regional trainings dollars to deal with our highest priority transportation needs. I mentioned the BART project in my opening comments but we have long awaited highway improvements. The two you mentioned in the East San José Evergreen area 101 Tully interchange ribbon cutting for that scheduled in June 15 and we are following that with groundbreaking.

>> Councilmember Herrera: I think we're on time. As one who drives it every day, it looks like it's making progress. That's ahead of schedule.

>> Hans Larsen: I think that's planned to be done in summer and get it done in spring. Yes. And so the capital-Yerba Buena project is lined up next fully funded. The other project we're excited about is the improvements to the 880-Stevens Creek-280 interchange near the valley fair Santana Row area. That project is fully funded ready to begin construction later this year.

>> Councilmember Herrera: And San José played a key role with MTC, there are a lot of partners. The council has played a role and we also have city staff working on some of these projects too.

>> Hans Larsen: Yes, it's been a great partnership I think in each of these projects the city did a lead role in doing the funding, the early planning and that's one of the things we do well with our capital funds is do planning, making the most of the project and funding from federal and state sources.

>> Councilmember Herrera: Well congratulations to everyone on the look forward to actually being able to utilize very soon. I wanted to ask you about the pothole repair program. Of us who are councilmembers know that potholes are near and dear to the residents and we get calls in them. Fixing them is near and dear I should say. We have \$4 million and that's a fully funded project this year?

>> Hans Larsen: Yes, councilmember. We want to ensure that our community has safe streets so if there's potholes in the street that pose a hazard or is a concern we're able to follow up and take care of those within a 48-hour period from the most severe ones we get to even faster. So we're fully funded to be able to fill potholes that are road hazards. Our challenge is that we can have safe streets but we won't have smooth streets. So that's our larger challenge in dealing with the deferred backlog, the cracks, the deteriorating streets, that's a much larger issue to deal with. But good news is not holes can be taken care of and also with establishment of the priority street network our most important 400 miles of streets we're fully funded to take care of those.

>> Councilmember Herrera: Using money wisely and prioritizing was very important and that's why I supported that, that's a recommendation that we do prioritize those, these are streets used by 87% of the folks, right?

>> Hans Larsen: Illegal let me care of that. We have our major streets which we have 800 miles. That's about one-third of our street network. So we have 2400 miles of streets, 1600 are neighborhood streets, local neighborhood streets. 800 are the major streets and what we established with the priority street network is that the 400 miles most important, so it's half of our major street network that we're covering. So we still have a shortfall on the other 800 miles of the major streets and we have no funding for any of our local neighborhood streets.

>> Councilmember Herrera: It's not an acceptable situation we're trying to make the best of it. I think we do need to have to look for how to fund pavement maintenance. It is a very serious problem it is going to get worse if we don't figure out how to fill our streets. If they end up in poorer condition we might end up long run. I support your prioritization.

>> Hans Larsen: If I might add just to clarify, the direction we received from council to deal with this, the most near term efforts are the exploration of a possible infrastructure bond measure, as well as potential funding for preventive street maintenance through a sales tax measure. Both of those are being evaluated. We'll have information coming back to council over the next I condition of streets in the San José areas those numbers have ranged in around 700, 800 a year the average expense. I have to add, I mean it's a combination of all our

roads, local streets, expressways and freeways a bit broader than just our streets that we're responsible for. But I think, yes, if you look at what the cost is to have smooth streets, it's probably less than half of the cost that we're incurring due to accelerated damage to our vehicles for driving over bumpy roads.

>> Councilmember Herrera: So probably, I might be an accurate number then, maybe 400 out of that \$700 could be attributed to our local streets and if there was a bond measure and additional money collected, it might be far more beneficial, far more return of investment for our local folks than having to pay whatever portion of that seven or 800 is due to our streets.

>> Hans Larsen: Absolutely.

>> Councilmember Herrera: I'm curious, we get calls from people who feel that the pothole in their area is the most important, should be taken care of immediately. Is there a way for residents to report potholes in the same way we can report graffiti now, so that people can give you a visual of it and get their pothole looked at and considered to find out whether it can be a priority for safety? Or is there a possibility of doing that? Just help me understand how you identify potholes that need to be taken care of and how do you prioritize those in terms of safety concern?

>> Hans Larsen: I think in terms of -- we have ability to deal with potholes that are considered a safety issue immediately. So contacting United States, just send us an e-mail. There's numbers on the city Website to be able to contact us. If we get the street and nearest cross street we can respond immediately to those. I know some cities have -- there's some technologies available, smart phone applications, for graffiti, take a picture of the graffiti and send it in. I'm not recommending anybody get out in the middle of a six lane street and take a picture of a pothole. But those kinds of technologies, it's an effort to maintain strategic support and communications, I know that's overall as a city administration we're looking at how we can use technology more effectively to communicate with our community as well as to have them report things that can then translate directly into a work order management system that allows us to get to it immediately.

>> Mayor Reed: If someone reports a pothole, what is our typical response time?

>> Hans Larsen: Our typical standard is to address it within 48 hours. Usually you can tell when someone calms in, there's a four-inch depression, those are typically handled within 24 hours.

>> Councilmember Herrera: Great. I'm all for the technology and I wouldn't advocate for somebody going into the middle of a busy street. But best be described with a photo and a picture rather than descriptive text that somebody might receive so I'm all for the ability for folks to communicate and use technology. I think that's where we're going so that's kind of why I brought it up. In terms of our maintenance of trees program, and I'm not sure how this fits in but I just want to make a comment about our city forest as a partner. I think they do an incredible job and I'm sure you guys agree with me open that in helping maintain and helping our residents care for trees and planting of trees and how much they actually do out there. I was concerned, sometimes when I go out there I think there might be duplication of effort. I see other city folks out there as well. Can you walk me through whether we use our city forest, away programs we use them on, and are we doing any duplication or how are we handle that?

>> Councilmember Herrera, I think we do have a very good working partnership with our city forest. We primarily focus on dealing with permitting of tree-planting, removals, the trimming of the community forest, those types of activities. Our city forest focuses much more on education of the community, young tree planting, they have opened their nursery, in the Guadalupe gardens airport, that's a nice facility they have to be able to supplied the community with trees so their focus is much more on educating the community, of the importance of the urban forest, doing planting and coordinating with neighborhoods and neighborhood associations to do community planting projects. We can handle the things we need to around permitting regulations, the actual hard maintenance activities and they do more of the education, the planting, a lot of the community engagement. And I think we are looking for opportunities to continue to build on that over the years.

>> Councilmember Herrera: I think that's an example of a nonprofit that really adds a lot of value to the community. And I think we should look for every effort we can to work with them and build that relationship.

>> Thank you for for that.

>> Councilmember Herrera: That's all my questions.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: I just wanted to mention we do have that smart phone technology to report potholes and we use it all the time in District 1. So come on over, I'll show you.

>> Mayor Reed: 22nd go back to aviation in particular. VII, page 6, that has the cost per emplaned passenger on it take us back to the airport competitiveness and all the menus of all the options to keep the airport competitive. On that page there's a discussion of the activity level that has declined this year, we had hoped it to go up 2% and next year you're projecting it as flat. I put that 5.6% total below target. The growth is not helping us on this. I just wanted to check and make sure I understand it correctly. If I got the math right by 2017 we need to come up with \$12 million in savings or revenue increases in order to keep the cost per emplaned passenger flat at \$12.

>> Bill Sherry: Yes, your math is pretty accurate.

>> Mayor Reed: Ballpark \$12 million.

>> Bill Sherry: We're working with Deb Figone, City Manager's office in developing a five year forecasts that shows precisely what kind of growth we need in order to get the airport to be sustainable. So we'll have that probably within the next week. But suffice it to say we are not achieving the type of growth that we had hoped. When we completed the development program, with that out of the way, plus also, with the recovering economy and the recession area period kind of subsiding and the troubles that were going on with San Francisco we had hoped that we were going to see and we had programmed in our budget a modest 2% growth for this

year, as well as next. Around we've recently had to revise that to where we'd be down 1.5% for this current year and best information available, it's looking pretty flat for 2013. So we're behind the curve and that's why in my presentation I set we're not out of the woods yet. We've got to see some positive growth in order for this airport to be self-sustaining.

>> Mayor Reed: Okay. Back to needing to come up with \$12 million total of savings or revenue growth. Here's my scorecard. I just want to check and see if I'm anywhere near accurate on it. So on page 7-87, the second bullet it talks about the changes in parking operations and shuttle bus costs, reduced by \$1.4 million. Can I count that \$1.4 million against the 12? Okay, you did some good things, this year, 1.4 million. In this budget proposal you have the traffic and parking control officers which is another \$800,000 in savings.

>> That's correct.

>> Mayor Reed: I got 2 many 2 million and then we have the West Side development that's in the middle of and I'm going to use the optimistic number of 3.8 million to get us to \$6 million. That's half of the way we need to save or increase in revenues.

>> Bill Sherry: You're correct.

>> Mayor Reed: That leaves us \$6 million that we have got to come up with growth, and growth is trending flat. Or we're going to have to have cuts in outsourcing in Police and Fire and those are the only things left on my growth is really important.

>> Bill Sherry: You are absolutely correct mayor. On the airport competition plan, we have completed every item open that plan with the exception of the outsourcing of Police and Fire which we've kind of deferred. If we don't start seeing that growth and we don't take care of every initiative, i.e., West Side development we're going to.

>> Mayor Reed: Parking and shuttle operations that's good so I know you have done everything you guys can think of out there to be more efficient. And it's -- it hasn't been easy but it's just necessary in order to be able to maintain the airport as sustainable. I think we might be done with this section. I don't have any other requests to speak but I'm not sure all of the indicators are working properly. So this would be transportation, aviation, going once, going twice, all right time to change. We're going to go to strategic support. I want to change the order slightly. I'd like to start out with the appointees and then we'll go through the other departmental elements of strategic support. So we'll take just a minute to swap staff around and change binders and all those other things. I think we'll take them in the order listed in the agenda, City Auditor, City Clerk, City Attorney and City Manager. Rick is here. All right City Attorney. .

>> City Attorney Doyle: Okay, thank you, mayor. The budget for, or proposed budget for next fiscal year is -- the good news is, it's status quo from our perspective. But we continue to have challenges in meeting the legal needs of the city. And can we go to the next slide, please? I think you're going to hear this from all my fellow council appointees. We're in the service business and whereas if we go citywide, 67% of citywide costs are on personal services, I think I heard 70% but it's somewhere between 67 and 70%. 93% of our budget is allocated to personal services. So there's not a lot of wiggle room. If you take a look at our nonpersonal, we haven't gutted that but it's been significantly decreased over the years. That covers of the of everything from deposition transcripts and reporter of the lean as we can be begin the fact that most of our money goes for personnel. Next slide, please. This year's budget. We are -- eight positions are being restored, what restored means is, it's a maintenance of effort. We're keeping people, we're not laying anyone off. Seven of those positions are one-time funding and continue to be one-time funding. One position ongoing. We have 71 total FTEs, that's significantly down from well over 100 when I, back in 2001-2002. from 2001. Next slide, please. I just want to sort of give this a breakdown because I think it's good to get a sense of what the office has. We have on the attorney's side I have five management folks. I think you know, having dealt with my managers, they're player-coaches. They have their own caseload, they have their own workload as well as they manage others and supervise others. So it's more than a full time job. But litigation side, 16 positions. Three of those are workers comp. And only ten of the other 12 positions then are filled by litigators and that's significantly down. Transactional attorneys, we have 18 transactional attorneys and they do everything from as you know draft ordinances, and just do the business of the

city. I mean any organizations has to deal with contracts and employment issues and just the everyday work and that's their function. So we have 39 lawyers, that's down from 53 back in 26. Go to next slide. And then equally as important is the support staff. You know, this -- everybody plays a key role as part of the team. The legal secretaries are down almost by half. Paralegals are down by slightly, other support staff, we are fortunate to work with the PD and having two police officers work with us. That makes our work particularly with the departments incredibly consistent and seamless. And if we were in private practice I know I've told the mayor this, but the police department would be our best client. And we'd be wining and dining them always, because they certainly bring us the most business. For better or for worse. And then we can go to the next slide please. So the summary of the impacts is you know even though we're maintaining, it's Stott still not adequate to meet all the needs of the city. I've said this before, it does increase our risk over the years we have brought in anywhere from ten to \$20 million. This year it's around 10. We don't have the ability to do the affirmative litigation as much with less staff. We don't have the luxury of actually taking on those cases as much as we could. And we've used more outside council. My outside okay, it's up even more this year and we expect it to really go through the roof next year. And largely that is deals with fiscal reform issues. But there were other issues as well. If we can go to the next slide. The land use and CEQA cases, our inclusionary housing cases we really had to outsource because we didn't have anyone to take it at the time and that was not a cheap case. That is still pending in superior court. There are other CEQA cases that construction cases, the South police station construction liability case, we've had to outsource that. And these are cases we typically would have handled in-house over the years. The labor cases, to the extent it's knot nonretirement where we wouldn't have a state bar conflict, a lot of that we would have handled. We work jointly with outside counsel but pretty much that's farmed out as well. And it's just more expensive. I've mentioned this to the council in the past, the hourly rate for outside counsel is more. In the transitional setting you have a lot better opportunity to limited the exposure or pay for the cost, you can pretty much say paid for protect, it's easy as the case proceeds just to lose control of the case. Can we microphone to the other slide. This is the organizational structure on the attorneys side. I'm going to ask the council for one augmentation. We've been working, had some preliminary discussions with the mayor's office. On the transactional side it's fairly smooth, I have a pretty good structure. Ed, Patty, Daniel, they're very much player-coaches as I said, they have their own workload as well as managing. On the litigation side Nora, she oversees both the litigation side and we brought it back to retired rehiree who is part time but she doesn't have anybody

working with her on that management side. And her own caseload includes everything from the card room cases to the baseball litigation cases, other cases as well, I think you know when a lot of police cases she gets directly involved in. So next slide. What I'm asking is for another chief deputy attorney position at least one when George Rios, they worked as a team in managing the litigation side and so George and Nora sort of worked together. We had to give up that position as part of the budget cuts and I'd like to get a restoration of a chief deputy. We've identified it as significant. I know other people and other departments are looking to still and backfill. But this is something I think is crucial just to protect the city side. We can't control the number of lawsuits that are filed and the manage that can handle cases that can run into court and also has the sophistication and experience in managing other cases. Next slide. So testified -- for the future, this year and in future years we'll continue to be challenged. The litigation issues are really paramount. Just as an example I looked at our trial calendar. We have 16 civil trials scheduled between May and December of this year. Ten of those are police cases. When I say they're our best clients those are the cases that are likely to go to trial. We settled a few of those but -- and we may settle some of these, as well. But we have to be prepared, we have to gear up, we have to get prepared for trial. So the workload is enormous. This doesn't include the civil service hearings, the arbitrations any of the administrative matters that litigators handle as well. The administrative controllable but they are significant as well. And again just the general business of an organize running a 500,000 comes in next slide. I do want to note though, that this has been a tough year. It's been something that we've gotten through, but I'm asking for the additional chief deputy position just because I think we need it. I also want to recognize Dan Tong who for the last 12 years put together these budgets and has been a miracle worker of sorts. Dan is retiring in June. And I -- it's going to be tough to replace but you know it's one of those things where we've worked together as a team, and he has the enormous respect of the office and also he's probably the best diplomat in the office of working will manager's office and the mayor's office.

>> Mayor Reed: He may be the only diplomat in that department.

>> City Attorney Doyle: We'll answer questions .

>> Mayor Reed: We'll get Sharon Erickson.

>> Sharon Erickson: Sharon Erickson City Auditor. Your City Auditor's office proceeds you with a couple of outcomes. Our job is to identify ways to increase the economy, efficiency, effectiveness and accountability of city government and to provide independent, reliable, accurate and timely information to the city council, and other stakeholders. Auditors office staffing has been reduced like everyone else. The auditors budget is currently 97% personal services. Since 2008-2009 our staffing has dropped by nearly one-third and we removed an entire supervisory layer. I hope you'll agree not the quality. Last year, we issued a number of performance audits. They're listed here. It was a total of 16 reports, including 67 recommendations to improve city services. Over the next year we'll be conducting additional performance audits. Our work plan will be submitted to the Rules Committee in June. Per our normal process. We'll also continue to follow up on all off audit recommends. We expect to issue the annual service accomplishing report and continue to provide oversight of external auditors. so with our staffing reductions how do we expect to do this? Well, hopefully, you've received a manager's budget addendum number 5 which requests that we eliminate one remaining supervising auditor position and a senior program performance auditor position and convert those into three entry level program performance auditor 1s. During the recent recruitment process we've determined that there are many viable entry-level candidates so this action would increase audit staffing, dedicated to conducting performance audits. It also continues our previous efforts to streamline and flatten the audit organization, and it's at no additional cost to the city. With that I'm happy to take any questions. I think --

>> Mayor Reed: All right, we're going to turn to the City Clerk.

>> Dennis Hawkins: Thank you, Mr. Mayor, members of the council. I didn't bring a dog and pony show today so I'd just like to have a conversation with you. First of all, we're very appreciative of the fact that this year we do not have any reductions. We're level at 13 FTE. Frankly, we've really had a difficult challenge this year with the reductions that we've had. Really, they have impacted us with the loss of analysts and staff technicians and support personnel which is really made it a challenge for us to provide the level of support to the mayor and the council. This year, we've also had some additional challenges in terms of elections in five council districts, the ballot measure in June, for the first time in a decade and a half, an initiative qualified for the ballot here in San

José, plus we had the medical marijuana referendum and two initiatives, one out now and one ready to go. So the environment has changed for our office. There have been more demands. Let me also just mention in terms of the boards and commissions we're still working on the structural improvement piece and hope to get that to the Rules Committee before the end of the fiscal year. But the boards and commissions are requiring more support from our staff, specifically, an example is the civil service commission. As Rick mentioned, what we saw in the past, where a hearing for a -- disciplinary hearing for an below might take one night, now they are taking two and three and four nights. So the caseload have increased not in terms of raw cases necessarily but the complexity and length of the cases which has an impact on our staffing needs. We endeavor to provide a high level of support to the mayor and council put frankly this year we have not been able to do the kinds of budget analysis and support with the level of detail that some of you have come to expect over the years. Because the council support team was reduced by a third. Recognizing that, we have done our best to provide a level of service that meets the minimum needs but we've also been impacted by increased activity in the council Offices. For example in the years past we would process between 300 and 375 HP or district grants. Last year we did 526, this year, we're on pace to do over 600. And that has an impact on the workload and the level of service that we're able to provide. Because we recognize those are a high priority for the council office and therefore, we've reprioritized those in our office. In long term, I think we're also challenged by just the lack of technology. If you look at other city Websites, throughout the valley and throughout California, the level of support and information that's available, our Website, we're not keeping pace with current practices. There are cities that you can go in and we get about 1500 public records requests per year. And a lot of cities because they've been able to automate and been able to take the records that we have on microfilm, that if we get a public records request I have a records person that needs to go in, do the research on the microfilm, print it out, either scan it or provide it to the respondent. That's very labor-intensive. Whereas in other cities because they've had a process of automating that technology they've been able to convert that so the resident or the business or even city staff can go online directly and just access that ordinance or that transaction. So one of the things looking forward, we really need to take a look at, is technology and budget augmentations to help us with our -- an automated agenda flow and to help us put more of our records online. I know this is something we'll share with the manager's office, the number of records requests is increasing. And again, this is an example with the raw number may not be as dramatic an increase. But we're seeing that the complexity of the records requests are more expansive. Legal firms are now

using public records requests rather than the discovery process. And so we may have a request that used to be one or two items. We may have a request for ten items, but within those ten items there are multiple items within those ten items. And so it's taking a longer time for my staff to research those and respond to those and we have to do that within a very defined time frame. So we're doing the job. But frankly we're not providing the level of service that we think you expect, and our community expects. We look forward to working with the managers office in the future to try and augment our budget. Specifically Rick mentioned a chief deputy City Attorney. If it was Christmas here in the clerks office I'd ask for an analyst and a staff technician because those two classifications to meet our service demands but that is something I would work with the manager's office and the Mayor's Budget Message to look at potential for improvements in the future.

>> Mayor Reed: City Manager.

>> Debra Figone: Thank you, Mr. Mayor, members of the council. I'm pleased to present to you the 12-13 budget for the City Manager's office. Before I begin to overview some of the highlights of what's in the document, I would like to echo some of what Rick said. I do think that that term, "player-coach" is a really good one and it describes our office extremely well. And so as I take you through our budget and remind you about what we do, and some of our proposals, including what can you expect, what I don't want to convey is that I'm not concerned about how thinly staffed we are. We are thinly staffed. And in fact we have for the first time brought you a proposal which I'll highlight just in a bit. That said, my job is to set the tone for the organization. And we do try to model through our office how we go about surviving as well as thriving through these times. What I don't want to quay maybe through my calmness that I'm not worried. I am worried about our office. I also, though, feel blessed that we have tremendously professional staff who continue to work extremely hard to get us through, day in and day out. And we have a wonderful next-generation waiting in the wings to take our jobs. And so as we are worried about the workforce of the future, let me just tell you, there's a lot of energy and enthusiasm about being in the city, about being in the manager's office, and the senior team is working really hard to ensure that the hand-offs are happening as smoothly as possible. So just to highlight, the manager's office is a -- key mission is to provide strategic leadership that supports you, the mayor and council, and motivates and challenges the organization to deliver high quality services that meet our community's needs. We have a few core services there that are on the

slide. And these represent the need for professional leadership, expertise, and support that we bring to the council, the organization and the community. In the next few slides, and we'll go through them quickly, I did want to identify some of the functional work groups that we have. Because I think we are a really interesting blend of transactional and operational services but also that fuzzy area called leadership. And I would say probably the hardest thing about being in a manager's office is not on the transactional operational side because though are very complex and difficult. But most of what we do is not routine. And it often reliance on the coordination of others and oars relies on the so in that regard some of the key functional areas clearly are to provide executive management and support, and a big part of that is managing unanticipated issues and complex projects. Just about every civil servant has in their job description other duties as assigned and I think that's a fair description for our executive and management support. Agenda services, I know that you know well, that's out of our office. You understand the budget office and the great work that they're responsible for. The next slide would be our communications group. As you know we have a small communications team, responsible for putting a communications face to the city through many, many mechanisms. Whether it be the web, traditional communication, or broadcasting over the air waves. Very important is our office of employee relations. Which is responsible for the labor relations of the city, as well as handling very, very sensitive matters throughout the organization. They are responsible for significant policy work, not only to implement things currently like the fiscal reform plan, or serving as liaison, at least my liaison to our retirement boards but also, in areas that you may not see as much: Critical training for our new employees. Training and refreshing on key policies such as the city's important antidiscrimination or ethics policy and also ensuring that our new employees who begin with this city receive the kind of orientation that ground them in the character that we want in our employees. Our office of intergovernmental relations is small but mighty. Like much of what you've already heard the complexity of the issues that we need to work through on an intergovernmental relations basis, requires more not only but between our partners in the ream so we've had to expand that team not only talents of others in our city. The neighborhood engagement team formerly known as SNIs continues to evolve and are trying to find ways to again take facilitate actionive action to improve our neighbors conditions in the city and finally, already heard from in the CSA presentations our Office of Economic Development, is within our City Manager's office and I'm sure you're all aware of the great work they do. In terms of expected service delivery the points on the slide I think are intuitive to you. I think a big one to highlight for me is the second to the last bullet on that slide is to continue to do our best to

lead the ongoing transition of the organization, which is significant. We are moving a great workforce through times of great change, as well as trying to find the great opportunity that continues to, I think, present itself to our city. On the next slide, we will talk just a moment about the proposed budget actions that are in the proposed budget. In one area, we do recommend continuing funding to support the medical marijuana program and managing card room issues. This means specifically to continue funding an assistant to the City Manager to help us to keep driving those programs forward. In addition, we have asked for funding to support on a one-time basis two positions in the office of employee relations. This is an area I am concerned about. If I had my druthers I would be recommending them right now. On an ongoing basis I will forewarn you that we will likely have to get there eventually but to my earlier comment we are trying to work with the resources we have so right now I'm bringing these forwards on a one-time basis. The highlights of our work plan are in front of you. A very important emphasis for me is the second bullet, that is to recruit to fill our key leadership positions. We will do our best to go through solid processes, give the talent that we have an opportunity as well as evaluate what was the best option for the city in bringing stability to these key leadership positions. And finally, to close, my personal emphasis for the almost five years I've served as manager has been to work hard on your behalf, and with my team, to stabilize our fiscal resources, to stabilize our service delivery systems. I think we've made great progress. This third area, to stabilize the workforce, is significant emphasis for me, as we move forward this next year, and into the next few years. And again, we will answer questions at the appropriate time. Thank you, mayor and council.

>> Mayor Reed: We're going to go back to the agenda to the beginning of the agenda to the strategic support CSA and the departmental components of that. All right, I think Alex Gurza is going to take the lead.

>> Alex Gurza: Alex Gurza deputy City Manager. Good morning mayor members of the city council. With me is Dave Sykes director of Public Works, Vijay Sammeta, and Julia Cooper and our department manager Sara Nunez and Mike Sung. CSA. The strategic support CSA. On this next slide are the departments that comprise our CSA human resources, finance, information technology, the Department of Retirement services, and Public Works, those functions that are part of CSA, Public Works has functions that are also part of other CSAs. So we thought we'd show you a picture. And if our -- when our CSA got together and talked about our presentation if we only had one slide to show you about our CSA, this would be the one. It reflects a lot. One is the optimism of the budget

that you're considering. That now you can open some of the community centers and libraries that have been built to serve our community. But it also shows what the strategic support CSA does. So everywhere from issuing the bonds to finance the building, to designing and building the structure, to procuring the goods to make the building operational, providing the technology for the building, to make it operational, phones, computers, network connections, and very importantly, recruiting the employees to staff the building and serve our community. But also then maintaining the building. And servicing the employees that work there from the time they're hired to the time that they retire. So in summary, the strategic support serves all of our departments in the delivery of services through all of the facilities that we have.

>> Dave Sykes: Thank you, Alex. As the council is well aware, the strategic support CSA has taken numerous cuts over the years. There are some promising signs though in this proposed budget. And I'm going to describe the services that the council can expect from our CSA. Beginning with the hiring process, more detail will be given later in the presentation. But as the council is well aware, and the graph shows, the needs for hiring new employees are on the increase. And we as a CSA will be looking to keep up to meet those needs. We will also be looking to maintain a favorable bond ratings and we do not anticipate any additional down grades on the city General Fund. We are making changes to stabilize our procurement team. And we will be utilizing competitive procurement processes in other partnerships to deploy new technologies at cost savings. We will have a more secure and sustainable security system for our I.T. systems. The workers comp reform plan will allow us to maintain a safe and healthy work environment. This budget will allow us to be more proactive with building maintenance and we will be expanding our use of alternative project delivery for capital improvement projects. Finally through two retirement boards and city staff, we will be able to manage and administer the retirement funds.

>> So in order to have those outcomes, there are some proposed budget actions that you'll be considering. One, we're looking to reorganize the benefit staffing for increased cost efficiencies. We are also as part of that looking to restore employment services to better needs the increasing hiring demands and as Dave memossed there will be more discussion about that. Additionally in the finance department restoration and strategic functions including enhanced our management capacity, we're fully implementing the vendor director warehouse and the stores

fund. We're recentralizing subrogation recovery to help make that more efficient in the organization and then to continue supporting the water pollution control plant and the watershed program with dedicated procurement staffing, and additionally to have continue financial -- supporting the medical marijuana business tax program. Additionally, and we're addressing issues in the City Auditor's report on I.T., general controls, so through more centralization, also establishing ongoing funding for data security and auditing and continue to implement innovative technologies. We're also looking to reduce the deferred facility maintenance backlog by adding \$1.8 million to that budget. And finally aligning staff levels with capital project delivery to meet those needs of the Public Works department.

>> Thank you, Julia. Among the' the work plan highlights workers comp reform and selecting highly qualified candidates. We'll continue to explore option for payroll system upgrades, leverage our lock box services. This is integral as we look paper payment type of organization where we're processing that more manually to lock box services. Also we'll continue to leverage purchasing for specialized needs as we mentioned for ESD with the addition of two buyers. Focus open modernizing our business tax system in two key areas. Streamlining the renewal of business tax certificates for those who already have one and shift the staff focus from supporting -- to support our economic development strategy by focusing on starting new businesses in San José. Additionally, we'll modernize e-mail. I'm sure everybody would like a larger mailbox. That is one of the highlights. We'll continue to look at implementing a new hosted voice over IP system with a pilot beginning in I.T. very shortly which will implement new features and technology at a reduced cost. We are this summer implementing next generation WiFi in the downtown core. Fads, we'll be focusing on taking preventative maintenance, implementing preventative maintenance on city facilities as opposed to corrective actions in an effort to head off more coastally expenditures long term and look at tints to extend the benefits we've seen in the design-build projects mentioned on the slide to more routine and smaller projects as identified by Dave.

>> Alex Gurza: And in summary as is the case for all CSAs and departments we'll continue to look for efficiencies through innovative solutions and through the partial restoration of the City Manager's proposed operating budget we'll be better equipped to meet demands for quality services. Before we turn it back to council for questions we have heard some of the questions the council has asked in the city sessions about hiring. One of

the reasons I have Sarah Nunez and her seniority lists and administering the good news is they don't have to do that as much anymore and also the good news their efforts have turned primarily to hiring. And we have a lot of vacancies, as you have heard. And her team have been working very hard in how to better meet the needs of the entire organization, in hiring. Moving the resources that she does have in her team to address priorities. So I'm going to have Sarah answer some of the questions in -- that have come up and provide the council with a little bit more information.

>> Mayor and councilmembers, Sara Nunez, human resources employment manager. To answer the specific question about development services hiring, we have filled 16 of the 21 positions that were added at mid year. We have interviews in progress for the remaining positions for which we do anticipate sufficient qualified candidates. And this slide provides additional information about applicant response in key areas. For public safety, we have a qualified candidate group currently of over 200 candidates for a fall 2012 police academy. This is consistent with the size of qualified candidate groups from the previous five years. The number of applications for recent firefighter lateral recruitments has been consistent with the last lateral recruitment from 2001. We have not posted for firefighter recruit recently. The last recruitment was in 2008 with 2682 applicants. We've shown analysts as a typical entry level to date of approximately two 50 applicants is consistent with previous years. We do have hard-to-fill areas. We -- are experiencing difficulty with filling trades classes this is an area that has always been a recruitment challenge. There is a limited number of qualified candidates in the job market. Other agencies have similar experience. There are fewer opportunities for vocational and technical training and fewer people do elect these areas. Our mitigation efforts focus on long term solutions like in-house training programs and partnerships with high schools and community colleges to promote technical careers in the public sector. Heavy equipment operator and plant operator trainee programs are examples of successful achievements in this area. We do have an apprentice plant mechanic training program that will be launched in the next fiscal year.

>> Alex Gurza: So with that, that concludes our presentation and we'd be happy to answer any questions that council has.

>> Mayor Reed: Thank you. I'd just like to start with the hiring question. You have posed additions into that employment services to handle that. You think that's going to be enough? We've got openings, we've got hard to fill and hard to fill requires more work and more effort. So -- and if we need more, when would we go about ating the capacity?

>> Alex Gurza: Yes, Mayor Reed we are adding three positions. It's not the ideal but it completely will help, you know Sarah and her team meet the needs. And if we find that we're not able to meet the needs of -- the hiring needs of the city departments then we'll work with the City Manager to potentially explore other alternatives and additional resources during the fiscal year.

>> Mayor Reed: And then a related question is, can we make it easier because we do have not the best, fastest mow most efficient hiring process. Government is not private sector. So we do have lots of rules and regulations and processes. And do you have any recommendations that we ought to take up at a policy level that we've tried to implement in the past or had recommended in the past and we just weren't able to implement that would speed up the process for everything and make everybody happier?

>> Alex Gurza: Well, the City of San José has made a lot of changes in our civil service hiring process. For all but the sworn Police and Fire where you have to be ranked on a list. Having said that we do have civil service processes and procedures. And we will have Sarah and her team explore you know possibilities of where we might be able to make policy changes and improve and come back to the council with those recommendations.

>> Mayor Reed: Good, that would be helpful. I haven't seen any metrics but I think we're better than we used to be based on my experience here, we have made process improvements and we're faster in getting the positions filled so that's good but if there are opportunities to make it easier to fill the positions with the people we want we have to try to make it easier. Councilmember Constant.

>> Councilmember Constant: I just wanted to ask a question, make sure I heard right about the candidate pool for the police department. Did I hear that we have a similar candidate pool that we've had in the previous five years?

>> That is correct. We have at this time approximately 200 candidates ready to go into the backgrounding process.

>> Councilmember Constant: Okay. Just -- I think that contrasts a little bit away we were told by the chief saying we were having difficulty getting a candidate pool but if it's the same we've had in the past I think that's important.

>> Alex Gurza: Yes, Councilmember Constant I think if I could just add, the chief was talking about the total number of applicants. What this compares is people that are qualified candidates. And then from there they go through backgrounding. And so Sarah has gone back historically and compared our qualified candidate pool and as the slide reflects it is a consistent number of qualified candidates. And at the end of the day you still have to go through backgrounding and determine how many are eligibility tip.

>> Councilmember Constant: It really doesn't matter how many apply, it's important how many people are qualified.

>> Alex Gurza: Yes which is why we show the statistics.

>> Councilmember Constant: Can you address the comments we got from the chief about it taking just as long to hire a nonsworn person in the department as a sworn? Can you help us reconcile that? Because my previous thoughts were that it was a strikingly different process and time line.

>> Councilmember Constant, although the process to identify qualified candidates for nonsworn takes less time, they then also have to go through a backgrounding process. And there is a certain amount of backlog in the backgrounding unit at this time.

>> Councilmember Constant: But the overall time from someone -- from when you have a start-up process to when someone's doing the job.

>> From when you start the process to when someone is doing the job does take as long with the nonsworn, because they also have to go through the backgrounding process.

>> Councilmember Constant: Right CT, but they don't go through the academy or the FTO program or any of those other things that take -- add an extra year onto the process.

>> No. But the dispatchers and the cattle specialists do have training that they go through that are similar to the economy.

>> Councilmember Constant: And are those backgrounds handled by the same people that do the other backgrounding organize.

>> Yes they are done by the same people that do the police backgrounds .

>> Councilmember Constant: And is there an opportunity to use an outside backgrounding law enforcement agencies?

>> Alex Gurza: Yes, and as a matter of fact we recently communicated with the San José Police Officers Association because we are looking to outsource the backgrounding not only for sworn personnel but also for civilian personnel. We have issued an RFP to explore the possibility of doing that while we have discussions with the Police Officers Association.

>> Jennifer Maguire: And Councilmember Constant, Jennifer Maguire. At mid year the council approved us moving in that direction. We added some contractual backgrounds.

>> Councilmember Constant: Make accepts that the nonsworn is the place that's probably the best to get started on that we can get started on quickly and efficiently. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I'd like to direct my questions to Rick. As a starter. And Rick, I would like to mention a couple of things. With the figures that you gave us, well, first of all we know you run a very tight ship and that you don't have any extra people there, by any stretch. When you mentioned the factor that came out to 480 -- well, it looks to me from those figures that we have a three-times factor. In other words, when you hire outside counsel, versus inside counsel, it can be as much as three times more expensive.

>> City Attorney Doyle: Yes, it can. And I think there are areas where you want to hire outside counsel, areas of particular expertise. But where it is work that we have traditionally done and just because of budget constraints we can't do it anymore, that's where we're not saving any money.

>> Councilmember Pyle: Uh-huh. And that component has grown over the last year?

>> City Attorney Doyle: Yes, I think there's some CEQA cases, land use cases that we used to handle, there is the inclusionary case housing cases, that is so we have had to farm those out .

>> Councilmember Pyle: And you've lost quite a few people through attrition and retirements --

>> City Attorney Doyle: Yes, I'm down seven ligamentors since twin. We have hired two, we have two that have replaced those seven and I have a retiree rehire that has come back on a part-time basis. And we're seeking to refull two more next fiscal year so we're limping on.

>> Councilmember Pyle: So you're down around half of what you were before.

>> City Attorney Doyle: That's a pretty good estimate.

>> Councilmember Pyle: of the cases that are not advisable outside hires and you just is St. have to do it because you haven't got enough people, this would be equivalent to hiring -- in other words we could hire quite a few FTE attorneys with the extra cost that we're spending for outside hires. In the end, the mathematics would work out so that we'd more than pay for the attorneys that we need to hire.

>> City Attorney Doyle: Yes, in my opinion, it would. I'm looking for one high-level that that could be both manager and high-level attorney. But yes, I think we need that expertise.

>> Councilmember Pyle: Because of the attorneys that you have with great expertise and you do have -- we're lucky to have all of you. I know you could make a whole lot more money in the outside community but we'll forget we said that. So there is a certain amount of burn-out I would think in all of this.

>> City Attorney Doyle: That's always a concern. It's not unique to the attorneys office. Touched upon it we're very stretch we're very lean we see it every day. But strictly in my shop I'm worried about burnout. I have a lot of people who have retired earlier than they would have retired and others have left for other opportunities. But we've lost some experienced so that's why I'm trying to get an experienced position.

>> Councilmember Pyle: So just one position does it?

>> City Attorney Doyle: For now, I think it's really getting somebody in a position to help Nora manage and oversee and make sure the cases with a number of civil trials and other cases down the road we need that help.

>> Councilmember Pyle: Would it be an accurate statement say that in safer more profitable times?

>> City Attorney Doyle: It's probably true. I don't know the statistics. Litigation has gone up and down but we've seen a lot. And the City Clerk talked about public records act requests and we've got significant number of public records act request that take a lot of time of staff and because it's litigation direct we've got to get a litigator to see what documents we're turning over and so it becomes a lot more intensive.

>> Councilmember Pyle: Some of the cases that began say in '08 when a lot of this started, the tougher years would just be coming to the point where it needs to be located and 11-12.

>> City Attorney Doyle: If we haven't resolved them by now they're going to trial.

>> Councilmember Pyle: Thank you. And Dennis I'd like to ask you a couple of questions. From your perspective, automating which is one thing you mentioned several times which would be something essential in your office, especially with the Foia technology available that can help with those searches?

>> Dennis Hawkins: There is technological available.

>> Councilmember Pyle: Key words that sort of thing?

>> Dennis Hawkins: A lot of it would require that we convert paper reports to digital records. There is survey that would help. manager's office, with I.T., with purchasing to put stowing a comprehensive proposal. We did some work on this in 2009, we had a consultant come in and do a business process work flow, for both -- primarily on the council agenda most but there's technology that would help us there that would also help us in the document imaging and provide those types of documents available on the Internet.

>> Councilmember Pyle: And you've also mentioned -- well in an election year you must get absolutely flooded with all kinds of extra things. Is temporary help a possibility for some of the task force?

>> Dennis Hawkins: That's a possibility. That some of the things that we have for example in elections are very specialized and you really need to have people that have that understanding of the political reform act and the elections code and our charter. But we have a lot of flexible staffing. So you know, when we have a reporting period for example, I'll redeploy staff from one function to another function. So to the extent that we have enough people in the office to be able to redeploy people as necessary to handle peaks and valleys, that's a preferable way to do it.

>> Councilmember Pyle: That's the request for the analyst.

>> Dennis Hawkins: Correct.

>> Councilmember Pyle: I'd like to take a boards and commissions but could you tell me what it is that your office has to do that makes it very burdensome?

>> Dennis Hawkins: Well, we directly support a variety of commissions such as civil service elections. Next year we'll be supporting the council's salary setting commission again. We support the project diversity screening committee, so we're directly involved with appoint members of the boards and commissions. One of the elements of the structural improvement program is to really create a much better -- it has to be better because we have nonexistent training for boards and commissions now. But those are the kinds of things that we need to do. One of the challenges just in the conversations we've had with the community on boards and commissions is there's really no on-boarding process now for commissioners. They're appointed and we would really like to do season orientation and training for them. We'd also like to help develop city staff that support boards and commissions because that's a challenge. And then also help in the leadership training of the members of the boards and commissions and a real variable in the success of a board or commission is the skill of the chairperson. And so we'd really like to spend some time and help develop those skills among our commissioners.

>> Councilmember Pyle: That makes sense. So if the commissions themselves were to help let's say taking minutes from their meetings is that something they can do or is that something you also have to do?

>> Dennis Hawkins: We don't directly do that for most of the commissions. That's distributed throughout the city. So for example, parks and recreation department supports the parks and recreation department. opportunities for efficiency by consolidating some of those processes, such as agendas and minutes. Do I have some concerns about volunteers taking minutes. Those are documents that are records of the city, and they need to be done properly.

>> Councilmember Pyle: So that was incorporated into your leadership lessons or whatever you would call them, that could be incorporated into that leadership help.

>> Dennis Hawkins: That would be part of it. But I think in the area of agendas and minutes, that would be something if we commissions, I see a role for our office in helping train staff that are signed at the departmental left so that they know what the Brown Act requirements are what the sunshine requirements are, what makes good minutes and those kinds of things. So that we have a better compliance with the requirements.

>> Councilmember Pyle: Uh-huh. And how many commissions do we have now?

>> Dennis Hawkins: About 43.

>> Councilmember Pyle: That's amazing. Maybe separating them, putting them under a categorical kind of thing might help, too. Could any of them work together just the sheer number of commissions?

>> Dennis Hawkins: That's part of the draft of my psychologist or elimination report. That we would do some psychologist of commissions. Having talked with the community there is some concerns with that but I think there's some opportunities for us and some combinations that make sense.

>> Councilmember Pyle: Thank you very much. Thank you, mayor.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I'm very pleased to see the City Manager's priority, most important be one is to stabilize the workforce. I heard from the police and the fire chief that they're having a difficult time to recruit officers or firefighters. I know the sewage treatment plan also running into a lot of the difficulty of hiring qualified people. And I went to a former mayor's office in Fremont, becoming a -- getting rid of a lot of other San José former mayor, city workers and say the same bill as well as the VTA, that chief attorney or the chief counsel, what was the title?

>> City Attorney Doyle: General counsel.

>> Councilmember Chu: General counsel is actually from our city attorney's office. I'm really concerned about how we go about stabilizing the workforce. HR department which is probably necessary at this point. But I also wanted to caution the City Manager and the team neighboring cities in the Bay Area. And also I have a question for City Manager regarding to the work plan. Highlights. Last bullet is, seek milk and private partnership. Do I read it as outsourcing of our services? Dep of.

>> Debra Figone: It is a situation of what we have done in order to survive. We have had to outsource partnerships, whether it's maintaining a park next to Adobe systems or using our volunteers to augment the maintenance of the rose garden and yes, in cases you've been able to save police officers because we have outsourced other services. So it's all the strategies that the council has concurred with, in order to stretch the capacity within limited to keep the services that the city can afford moving forward. If the council has a change in direction in those multiprong approaches then we need to know it. At the same time I'm a real fan of having those employees that the city can have in its service, it's critical for continuity, of service to the community. I wish we could have more of them but it's just not possible at this stage in our history. In order to stabilize the workforce, to your earlier point, we do need to increase capacity to the pay line again the direction we're on the path on the is because the cost of our systems, our compensation systems has just been unaffordable. So no easy answer there but I guess that's how I would respond to your question.

>> Councilmember Chu: Okay. I know that it takes the whole council and the mayor to change the direction and I just wanted to caution my colleague here, that there's a significant, you know because I hear repeatedly you know, comparing with our government agency, with private sectors, and there's really we can't pick and choose which portion of the private sector we wanted to, to copy. And not looking at the whole picture. And again when we continue looking at outsourcing, I also wanted to have an estimate or a plan regarding to like all different city service areas. Are we going to the direction that eventually we will out source -- I don't want to (inaudible) the I.T. department to a foreign country? Because I know a lot of private companies are going to do that. Are we going to outsource HR? There are a lot of HR private companies out there that can handle payroll and stuff like that. Are we looking at all different possibilities of outsourcing or just picking, again, I say the easy prey, that would be my question.

>> Debra Figone: There is no easy prey or easy answer. The counsel does have a process that we go through each year. Ed can jump in here if I've missed an important part but it's a very methodology process whereby we hear from our key leaders in the organization, they develop a business assessment some and Ed, let me have you walk the council through the policy again.

>> Ed Shikada: Thank you, City Manager. Ed Shikada, assistant City Manager. The process Deb is referring to is alternative service delivery or service delivery structured it over the past couple of years has been in the fall and spring as the council has your budget sessions, as well as in the community feedback to identify particular services that we'd are looking at. There's a calendar that's been established under council policy through which the department and our office work on alternative service delivery models, evaluation of different models ultimately bring those forward through business case analysis and ultimately the council's decision making through the budget process. Right now, we are in the process of that meet-and-confer step, related to the PTCOs at the airport. So we've had a business case analysis that has been issued, has been finalized, I believe it actually went out yesterday. And has now been submitted for the council's consideration ultimately leading to the decision. We've previously done that for other services and in fact for a couple of services in particular I believe this year, the school crossing guards, as well as one other service escaping me, maintenance of parks larger than

the spill parks. So in each of those cases, analysis has been completed, circulated among stakeholders and has been circulated for your consideration.

>> Councilmember Chu: Ed, I appreciate your consideration and appreciate the process. The question is, how can I say putting like I.T. into the business analysis process, how can I put HR, payroll under analysis, who's pick and choose, which function or which service area that we go off and do an analysis, and I'm saying that if we want to do one, we probably should do all.

>> Ed Shikada: It has been, certainly has been a point of conversation with the council in fall. Typically in the fall time frame when we did our initial study session we have put up on the fall a variety of services to look at. In a particular case we have looked at a number of services including I.T., payroll, accounts payable, workers compensation and a variety of other services. In many cases, based on the initial screening others have .

>> Councilmember Chu: Again I just wanted to point it out that there is a difference between the private sector and the public sector. And I think if we want to go copy the private sector process or their policies we need to kind of take it on as a whole and not to pick and choose and just to implement a piece of the puzzle. Thank you.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, mayor. I had some other questions, as you talked about some of the services and contracting out this is my opportunity to ask about the update on the amendment to the living wage policy as it relates to minimum benefits or minimum time off and how that factors into -- I think we were looking at May I thought late May.

>> Dave Sykes: Councilmember, Dave Sykes, director of Public Works. We are hoping to bring a staff report to the council on June 5th and that would outline a proposal for minimum days off for contractual employees.

>> Councilmember Rocha: Ready for action on June 5th or the report is ready?

>> Dave Sykes: I'm not sure.

>> Councilmember Rocha: :00 around that time frame. Okay.

>> Ed Shikada: Amount just for context the reason I asked Dave respond, the reason we're council's the City's living wage policy so the issue of time off being a component of how living wage is designed and implemented through our contracts.

>> Councilmember Rocha: Okay, thank you. Performance evaluations, I think it's on 162, yes I think, bottom of 162. We had set a target at 60, we're looking at about 50%. So we're setting a 80%?

>> Yes.

>> Councilmember Rocha: As far as the change, would you mind sharing how we got to that improvement?

>> Alex Gurza: Yes, I can. When the City Manager asked me to be the HR director, the priority she asked me to undergo is to make significant improvements in the delivery of performance appraisals. So one of the things I Alameda County see how we were doing across departments. So one of the things I've asked our human resource staff to do, since all performance appraisals mutt continuous we enter them in a database. That is just number one in other words to be able to have us have better data. Number one is to be able to have effective data so that then we can track. Then the other thing that we did is we communicated with all department directs and appointees make sure they had information about our appraisal process that they also knew the city departments under the manager's authority, the priority of having employees appraised, offering training where that was necessary, so really it was making it an organizational priority to get to us, to really improve the percentage. And we've seen significant improvement. And we still have ways to go, but I think in this year, we are on our way to making a lot of improvements so that employees get that feedback that they need and deserve.

>> Councilmember Rocha: Okay, thank you. And that actually kind of mentioned an item I was looking at, and that was your role in how we have, if you wouldn't mind talking about the role you have in OER and HR.

>> Alex Gurza: I have several roles now because of the budget. I've survived ten months now in this role. But I am a deputy City Manager, at the same time I'm continuing to be the director of the office of employee relations which in San José it is part of the City Manager's office but in many places the office of employee relations or the employee relations function is part of a human resources department. In fact most of our cities in our county that's where it is. And finally in addition I have the responsibility of being the director of human resources. Which has been quite a challenge, and in terms of the staff there, because there have been a lot of turnover in the leadership of the department, and so one of the things in the proposed budget that you're considering is we want to restore the HR director to be able to have somebody that can actually be there on a consistent day-to-day basis. But I will then remain the deputy City Manager over that strategic support function which will still include human resources and the office of employee relations.

>> Mayor Reed: City Manager wants to add.

>> Debra Figone: Yes, the way I would frame it, alex has took a cut as you know and lived with that cut for a year. With him serving as a deputy who's provided that role of director of HR without being the director of HR. And I've just decided we cannot live without that position. So that's why the proposal is in front of you and we'll recruit for an HR director.

>> Councilmember Rocha: Thank you. That's wonderful. It's what I'd actually hoped for last year when we moved in that direction. And I know you pointed out it's budget driven and I had a different perspective of my concern for a fire wall between HR and OER. Now we're moving in that direction to fill it. The other item I had on minimum staffing those were the three items I had so thank you for your time.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor Reed. I'd like to mention on the MBT tax which we are bringing in significant revenue but there are those who don't pay it.

>> Mayor Reed: MBT?

>> Councilmember Oliverio: Marijuana business tax. Julia Cooper, do we have the ability to send them off to a collections agency or do we have a bandwidth to hone in on them?

>> We've hired an accountant to start that process and then go through the audits and go through the city attorney's office to.

>> Councilmember Oliverio: Based on bandwidth you'd be the best judge to load it off and collect the money that would be one option I would say.

>> As we mentioned, the staffing will continue into next year and starting the audit program avoid we hope will bring people into compliance.

>> Councilmember Oliverio: And one council has said this before obviously we're waiting for the Supreme Court cases to pass and see what we can do ultimately. But maybe just a final simple letter with a clear understanding for those that noncomply you will never have the opportunity to be under a city-regulated system just to make it very specific so that should they choose to not comply and court cases come to the way the city wants to manage it then they will have zero option. Of course if they would like to pay back in arrears for all the things they've done then they would be in compliance. I think that would be helpful as a suggestion. On has been taken up about the opportunities for alternative service delivery models. I'm clearly a proponent of it. There are ways to keep things that we're unable to keep if we didn't do that so I certainly continue to be a proponent on that. I think one is the proposed continuation of looking at managing our payroll different. We have companies in this area with 50,000 employees that are using services that I will not name, to manage their payroll systems so I think there's certainly opportunity there for our city which has far fewer. And then on technology systems for FMS is there an end-of-life

system that we are going to run into on that system? Because we do need to look at how we save up to do something and what that model will be. But we're not going to be able to afford it next year or the year after. So what is the true end point or do we not want to particularly think about that?

>> Vijay Sammeta: Thank you, Councilmember Oliverio, Vijay Sammeta, financial mission you have your account all that in one place. And we don't currently do that. In addition, the way we interact with other systems is very complicated. You know if you think of all the advantages you've seen over the last five years, realize stainings the technology hasn't changed much in like 20 years. So to answer the question and we do have a budget proposal about FMS mapping. That is really about kind of setting us down that path to look at you know not only the current process and work flows that we have, this is something that we're doing a little differently. We're actually doing that analysis up front to help us get a better product in the end. And as we look at those opportunities you know one of the things as we talk about staffing reductions not just in I.T. but in finance and the departments who use FMS is that we have really lost that functional business expert because they've retired they've bumped they'd seeked other employment. So that process reengineering and produce a more refined specification. So we can get greater competition and hopefully a lower price tag when we do go after a system.

>> Councilmember Oliverio: Okay great and Vijay is any city or municipality just gone to a completely SAS accounting system?

>> Vijay Sammeta: There's a bunch of them out there. Net suite, there's a few other products out there. I think what we're seeing is that not to be undone, the traditional ERPs are actually going to a hosted model too as a reaction to a lot of that stuff. So I think the marketplace is changing in that area and we'll see increased competition.

>> Councilmember Oliverio: And do those newer systems versus FMS allow the possibility for data to be pushed out so in a future world we would be able to see different components that we don't have to see today versus we have to have calls or inquiries of a individual basis that are manual?

>> Vijay Sammeta: I think you're hitting the nail on the head on my previous comment finance and the budget office that does that extraction for you. And it's as users, it's instead of having an automated process for that we really rely on staff for that. So they extract data in very cumbersome formats, reformat them and present them in ways that the public and the council can understand.

>> Councilmember Oliverio: And then on the backgrounding for police or civilian in the police department I certainly hope that we'll be retirement board to allow retired San José police officer to do the backgrounding so we don't have to take a police officer out of patrol to do that. I'm correct on that Alex? You're staring at me.

>> Alex Gurza: Well, what we're pursuing now is an respective that would seek companies that do that. Somebody who may have used to work for San José may be employed by that company. But we are pursuing it, as a matter of fact we're in the middle of trying to schedule a meeting with the Police Officers Association to discuss backgrounding.

>> Councilmember Oliverio: It is in everyone's best interest to shorten that private company that bids it and they happen to employ former San José police officers, and/or allowing them to do that I think that would be a good thing.

>> Alex Gurza: Yes and right now the challenge is, is that the background is being done by officers that are in patrol that do then come over and to do that backgrounding so clearly the chief would like to maximize those officers that are on patrol and do the backgrounding in an alternative way.

>> Councilmember Oliverio: I think it's important that the public knows that and we've all acknowledged that because pulling those people off means tear not out in the community providing the service that they would. And then on Dennis so again we're going to come back with some reform of 43 commissions. There is a workload to the Clerk's office to have 43 commissions. And let me just have to say this. If the 43 commissions were just left as

they were, but they met a third less of the time, so you still have the organizations in place, they're still providing input but they're just meeting less often, would that reduce workload for the Clerk's office?

>> Dennis Hawkins: Well, it's not in this case, councilmember, it's not just the Clerk's office but it's throughout the organization.

>> Councilmember Oliverio: Absolutely.

>> Dennis Hawkins: And to the extent two years ago council did adopt MBA 16, which did reduce the number of meeting previously ten times a year now it meets four times a year, there is a corresponding reduction in workload. From the commissioner standpoint though there's some froesing trace that they feel that they cannot do the job that they're empaneled to do. So there's a little bit of a rub there. But to your question, obviously when you reduce the number of meetings you reduce the amount of staff support time that goes into supporting those commissions.

>> Councilmember Oliverio: And Dennis you bring a great point. There is a cost to the departments that manage to staff and research and do all the work for each commission plan frankly from setting up meetings and getting enough meeting rooms and we know sitting at the Clerk's rules committee we didn't have enough rooms to manage the mobile home manage anything and all that comes out and again these commissions are advisory to the council and then they fold into the council committees.

>> Dennis Hawkins: Correct.

>> Councilmember Oliverio: So in the end we would like to see away you have. But there's certainly a cost to maintaining that and again we're not trying to -- at least in my viewpoint, not trying to eliminate it. But today with the workload in the city seems difficult because again, we've reduced staff to a level to manage these things and at a certain point you need to just reduce the workload. And again, give the commissions the flexibility to meet X times a year based on their need. So if they want to meet multiple times within a shorter period of time but they

don't want to meet no problem versus having a constrained calendar you must meet often this prescribed time because work loads change based on the budget of the city and or issues that may come up on the policy that one of my council colleagues or myself might bring up so thank you.

>> Dennis Hawkins: If I could just add fiscal what are the cost of supporting the commissions. That's really the last piece I need to do in my report. One other thing is that as we look at potential psychologist or elimination of commissions the is last real comprehensive review of the city boards and commissions was in the 90s. I think part of the unless needs to look at what is the scope and the authority of the commissions. Because they are set up to do one thing. Are those responsibilities still important for the council for those commissions to provide direction or input to? So I think that's part of what we're looking at is, what's the purpose of each commission and do we need to revisit those and modernize them to flect the needs and the priorities of the council.

>> Mayor Reed: Councilmember Rocha.

>> Councilmember Rocha: Thank you, I've got be to speak on this issue and Councilmember Oliverio prompted me to turn my light on. How long have you been here Mr. Hawkins?

>> Dennis Hawkins: As City Clerk?

>> Councilmember Rocha: No, with the City of San José.

>> Dennis Hawkins: About 18 years.

>> Councilmember Rocha: I'm going to be the grandpa on the council again, by saying, I remember when the council asked the question, what does the commission think on the issue i've had the opportunity to sit down and ask you about that issue and you made a great point in terms of having the scope and the necessity of the commission to put it bluntly. I think that's a good conversation to start with as opposed to starting them with because efficiency are definitely necessary. You talked about how long ago these were first -- or the last time they

were reformatted or discussed, so I think absolutely the discussion has to happen and I'm looking forward. But I would just remind three times a year I don't know how they can weigh in on a relevant issue before the mayor and council. Otherwise we'd have to defer almost every single item until the commission actually discussed it so I see them as extremely valuable. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you. Again I want to weigh in on this issue too. So I think in a time with decreasing resources and the need to have community input I think we have to be careful on cutting back on those the people who commissions have become subject matter experts. They were either subject matter experts when we asked them to go on the commissions or they become so. Funding recommendations so just to combine them without regard for that subject matter expertise I think is throwing the baby out with the bath water. I'm very brevited in discussions, I want to understand the role of the commission to make sure it's providing us that input it should provide the council with community helpful to us. And I just, I think that as we go forward we have to recognize what value we have there and in a time when we're facing these very important decisions, I think it's important to be able to keep that community involvement and have the ability to get that input from those commissions, I think it's going to be very important. I look forward to this discussion too as we move forward.

>> Mayor Reed: I think we're just about done with the strategic support. Is there a question of fees and charges that we can deal with? And I suspect we'll go into the capital budget for the afternoon. That means a different binder. This afternoon. On strategic support, I had a different question, on VIII-223 has performance measures. I think it might be useful, I know that discussions have been under way and Alex Gurza has been personnel and things like that. So I'm wondering if, in the performance measure category we might want to discuss with our retirement boards, performance measures we ought to have in our budget that might be useful from their point of view. I know we have one there, percentage very good or excellent. I don't know if that captures what it is the boards are concerned about, and their interests, but it would be helpful to know how the boards view the performance of the department as well. So I don't really expect the answer to that question here this morning. I'd just like to suggest it as a way to move forward on those discussions that have been underway for some time.

>> Alex Gurza: Yes, mayor you're correct that the performance measures in the budget focus on the retirement staff rather than boards themselves so I'd be happy to communicate with the boards have them think about performance measures they think are important overall.

>> Mayor Reed: Thank you. Fees and charges. We have a separate document on that. We're not going to have a presentation on it, because there's not much that's changing this year for once. But I want to give the council a chance to ask any questions, and if we need to bring it back this afternoon with --

>> Jennifer Maguire: Mayor, Jennifer Maguire. If possible, if we could start at 1:30 with that? Because I don't have all the staff from the departments here that could answer the variety of questions that could be asked by council.

>> Mayor Reed: So bring the fees and charges book and the capital budget binder for this afternoon. And we'll start again at 1:30.

>> Mayor Reed: Budget study session. So on fees and charges report, I don't think there's a staff presentation.

>> Jennifer Maguire: No mayor, there is no separate presentation. We're here for questions.

>> Mayor Reed: Councilmembers can ask questions about fees and charges, any time it occurs to them. If you're not prepared with any questions, we can start with the capital budget, move into that. Okay, capital budget. Councilmember Campos, I'm sorry.

>> Councilmember Campos: Just a process question, mayor. Given that these are public meetings, and I saw the capital budget on Monday. Is there a noticing requirement, in which -- there could have been folks that saw it on our agenda for Monday and possibly wanted to be out here. I highly doubt it but just to make sure that we're doing everything the way we're supposed to be doing.

>> Jennifer Maguire: Jennifer Maguire budget director. I can defer to Dennis, but when we actually set the budget study sessions back in December, and then when we posted them officially on the agenda, we do acknowledge on the bottom that the items may be advanced if the city council completes discussion of items sooner than scheduled or be taken out of order. So that's posted on everything that we have put out on the budget study sessions.

>> Councilmember Campos: Okay, that's fine, thank you.

>> Mayor Reed: And I think people are used to us running ahead of schedule because we have for the last several years. Okay, capital budget presentation.

>> Jennifer Maguire: Everybody's motivated. It's Friday afternoon.

>> Mayor Reed: Ready to go with capital budget?

>> Jennifer Maguire: Yes.

>> Mayor Reed: Ready to go.

>> Jennifer Maguire: .

>> Jennifer Maguire: Jennifer Maguire budget director. I'm going to turn it over to Walter Rossmann.

>> Walter Rossmann: As Jen mentioned as part of the overview section on Wednesday the city's budget is \$2.6 billion and of that we've discussed the last two three days first the General Fund and all the special fund budgets now what's left over is the capital funds. Capital funds comprise about \$743 million, or 24% of the City's proposed budget. Like the operating budget, the capital budget is also organized in CSAs, and what you see just here as a quick overview is the various capital programs which are listed underneath the CSAs like environmental services is four capital programs which is distinct programs in order to support that CSA. When we look at the capital budget we obviously develop themes and try to figure out what are the immediate needs for the program. We try to focus the City's resources on sustainability of city facilities, and as Jennifer discussed in her overview of the proposed operating budget, demonstration recommends to allocate limited and primarily one-time funds to address the immediate and critical needs of city facilities such as an uninterrupted power supply for the police administration building. For all capital improvement programs funding was prioritized to address infrastructure upgrades, renovations, and expansions, while minimizing the operations and maintenance needs, and as has been the focus in the past, where possible grants and funding from other agencies will be leveraged to stretch city funds. Looking at the historic overview of the capital improvement programs as you can see there was a peak level about seven years, six years ago, in 2008-2012, when the time allocated or dedicated funding sources to build out our parks, libraries and Public Safety facilities as part of the decade of investment. Capital program today it should be noted though it appears to be a little bit smaller than last year, this does not yet account for rebudget nor continuing exist projects which would happen as part of the adopted budget process. Looking at the source of the funds the biggest portion here is really beginning fund balance. The beginning fund balance really reflects the continuation of projects from 2011-12 that are expected to be completed or initiated in the next five

years. To note is the largest income balance is in the airport capital program, and that reflects the airport's commercial paper capacity. The second largest portion of the source of funds is transfers, primarily from operating funds. As an example, we have the large transfer from the sewer service and use charge funds to support two capital programs, and that is the sanitary sewer system capital program as well as the water pollution control plant capital program. There's a small portion of General Fund transfer which primarily is to continue our program to -- for the fire apparatus replacement. There is really three taxes which I would like to discuss quickly with you which support the capital programs, that is the construction and conveyance tax and two taxes which support transportation capital program or traffic capital program. Construction conveyance tax is one of the key taxes that support parks and community facilities, library, public safety, communications and service yards, capital improvement programs. Over the five year CIP there's taxes projected to be \$109 million. 99% of that tax is through the conveyance of properties. As we see the projection out-years the tax is pretty much stable, given the reflection of the housing market as we see it today and hopefully as we are doing next year's budget cycles we will update the projections and they will look better as the housing market recovers more. The construction taxes, there are really two significant taxes, the building and structure construction access tax, which primarily as I stated is traffic or capital improvement projects. As you can from the graph, the revenue projections in this CSA are consistent with the current year's activity level given the moderate recovery of the economy. It is important to note that although these revenue sources experience better collection levels these levels were significantly below what was experienced in recent years. To give you a level of magnitude, this program assumes \$65 million of construction excise tax collections and \$50 million in building and structure tax collections. Look at the second part really the use of funds you see primarily construction nonconstruction being the biggest portions of that and later on in the presentation they will have some highlights on how this fund is projected or plan to be expended as part of the CSA overview of capital projects. Looking at the particular programs which I mentioned, there are about 14 total and the biggest portion of it is the airport, the water pollution control plant, parks, sanitary sewer and traffic. And with that I would like to turn over the presentation to Dave.

>> Dave Sykes: Thanks Walter. I think it's good to begin with talking about how we build each particular capital program and how we come up with the projects in the program. Each capital program relies on some type of planning effort, master planning effort, but all of them tied to the general plan in one way or another. Here on the

slide we is show an example, the parks program the traffic program and the sanitary sewer programs and how they align specifically with our new general plan. As far as issues in the capital program, we've talked quite a bit about the deferred maintenance and infrastructure backlog. \$811 million. This CIP does invest and bring down that backlog to a certain degree. We've also talked extensively about the fact that we don't have the funding we need for much of the infrastructure backlog including streets. An ongoing issue has been for the city the operational and maintenance cost for new facilities that we bring online. And in the next slide, when I get to it in a minute, we'll be able to quantify that for you. The City's committed to alternative project delivery methods. We've had a great success with progressive design-build at the airport and convention center. We plan to use that same tool at the plant and hopefully in other areas of the city. The good news is, we still continue to see a competitive market. We're still seeing lots of bids on projects. The bid protests have come down to some degree so the bidding market is very positive. The council has commented on the fact that we do -- would like to see more of our construction dollars go into the local economy. Rick and I have explained some of the limitations with regard to how we bid projects, but I will assure you that much of the money in our construction contracts is going to local businesses. This slide represents the General Fund operating maintenance impacts of future projects. Primarily the cost associated here would be carried with the opening of the police substation, and fire station 37. Now, I'll go through each of the programs fairly quickly to give you a feel for the projects within each program. The developer-assisted program, the highlight of this program is the undergrounding program. Primarily paid for by either PG&E or developers, where we go throughout the city and underground overhead facilities and you can see some of the projects that are earmarked for the near future. In the EUS CSA we have four capital programs at the water pollution control plant one of our by biggest programs, the city is embarking on a major effort to renovate and modernize the plant. We have a strategy to utilize design-build, and that should be moving forward in the near future. The water system program is devoted primarily infrastructure projects to maintain the system. The sanitary sewer system is also now a very large program. And we've got numerous projects that are going to be coming out in the near future, even this spring, to address many of the needs that we have in that system. On the storm program, we are going through a master planning process that will allow us to target projects to meet the needs of that program. In neighborhood services, start with the library program. The main project in our future is the southeast branch library. As the council was told yesterday, we are closing the land deal for that project today, and in this proposed budget that project will be moving forward and we are increasing

the square footage from 12 to 16,000 square feet. The parks program is another one of the City's very large programs, a very diverse program where we rely a lot on partnerships and different strategies to move the projects forward. A few of the projects there are listed on the slide. Public Safety, the main -- we have two projects left in the bond program. Both are fire stations. One is fire station 21, the other is fire station 37. We are moving forward with fire station 21. This is a relocation and does not add maintenance and operational costs and that project should be under construction this time next year. Transportation, aviation CSA, we have three programs in this CSA. The airport program continues to be a big program. Much of the focus is on air field and taxi way improvements. The capital program for parking is a \$6 million program and most of the focus is on the Diridon area parking plan. Continued on traffic, you can see the number of projects in the program. There is money devoted to pavement maintenance, although not enough and Hans is thoroughly explained our strategy with regard to how we are investing our pavement dollars. And then finally, strategic support. We have three small programs. The primary project I'll highlight within these programs is the convention center, although most of the convention center money has been committed. We are continuing construction through and will be complete in September 2013. That concludes our presentation. Obviously, much of the staff, much staff work goes into preparation of this document, and they are in the audience to help us answer questions.

>> Mayor Reed: I have a question on an odd thing here, IV-11 are some of the overview and definitions, and I misunderstand the commercial paper piece, I think. It's just a description of the various financing mechanisms that we use. It's just not the way I understood commercial paper. Are there varieties of commercial paper that we issue? And this refers to a maturity of 270 days or less but we're using commercial paper I thought like five-- and ten-year increments. I don't need the answer today.

>> Jennifer Maguire: I'll have Julia Cooper --

>> Mayor Reed: That discussion just raises at a question. Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. I'm flipping through if pages once or twice and couldn't find the dog park. We had a map -- oh Matt is coming down.

>> Matt Cano: Thank you, Matt Cano, deputy director of Parks, Recreation, and Neighborhood Services. Yes, we do have funding for the Penitencia Creek dog park, and it's actually active funding in this current fiscal year. We are going to be releasing a Mayor's budget addendum talking about all the new parks and facilities that are currently on hold due to operations and maintenance, as Julie referenced yesterday, and that will be addressed in the memo as well.

>> Councilmember Chu: Great. Thank you very much. Then another quick one on this plant, what do you call it, plant master plan. When do you see that we may start implementing some of that plan, particularly on the solid waste treatment process?

>> Dave Sykes: As Kerrie comes down, I'll remind the council that we're still in the process of developing the EIR for the plant master plan so renovation projects can move forward, but major components of the new program will need to wait till we get through that environmental process.

>> Councilmember Chu: Two-year process?

>> Dave Sykes: I think -- Kerrie do you remember the date?

>> Kerrie Romanow: Kerrie Romanow, acting director, environmental services. We are positioning over the next year to really run as soon as the EIR is adopted so our hope would be, in 2013, we'd have a little bit more funding, and then be able to implement package 2 soon after that. And the package 2 projects will require different funding. So the funding for much of those projects are not included in this budget.

>> Councilmember Chu: Okay, what's the funding source?

>> Kerrie Romanow: We'll probably in we don't have enough funding and we think there will be too big a rate impact now our thought is we would consider bond financing to spread it out over the life of the asset.

>> Councilmember Chu: Okay, great, all right, that up.

>> Mayor Reed: In the overview presentation you referred to a library project as southeast library project. Is there a more commonly used name than the southeast library?

>> Dave Sykes: Are we calling that Evergreen?

>> Mayor Reed: I thought we were.

>> Ed Shikada: As you know, we already have an Evergreen branch library, so it's southeast of the Evergreen Branch Library, as it happens.

>> Dave Sykes: I think staff refers to it as southeast, because of the existing Evergreen branch on Aborn.

>> Ed Shikada: With the location to be in the Evergreen village square.

>> Mayor Reed: Okay, so perhaps the Evergreen village branch library, or something, but southeast of something. It used to be like the north concourse at the airport. What was it north of? Now we know, after it is built. Any other questions from the council? Vice Mayor Nguyen.

>> Vice Mayor Nguyen: Just a quick question about the municipal stadium. I know we have a lot of deteriorating facilities, a property that is owned by the city, and obviously the municipal stadium is one of those stadiums that we hardly looked because seems like we are utilizing all year long. But I remember there was a study that was done, I think it was by the sports authority and San José giants a while back, and I think the estimated cost was around \$50 million to provide upgrades and renovations for the municipal stadium. And maybe about three years ago, we allocated about \$300,000 from the RDA to fix some of the electrical things that are needed out there. I

don't see that in here. Where does that fall? And at what point do we look at some of those facilities and actually put funding or even consider putting funding towards something like that?

>> Thank you, councilmember. Matt Morley, deputy director of Public Works. You've got a great memory. We did do \$300,000 in electrical upgrades there and took care of some major needs on deferred maintenance side of things, and you're right on the study there's still substantial need there. We do carry a small amount of budget annually for capital needs out at that site, it was around \$24,000 this last year. It's actually paid to us based on revenue to us based on revenue from the San José giants on an annual basis. That should be there in the capital budget.

>> Vice Mayor Nguyen: So are we doing anything with regards to that study that was done by the sports authority and the San José giants, or is that something for us to look like, I don't know, ten years from now?

>> We do have the study to use as a guideline. We also have the end of a contract coming up, so we will be entering into contract negotiation soon for renewal with the San José giants or their parent company.

>> Vice Mayor Nguyen: Okay, got it, thank you.

>> Mayor Reed: Anyone else? I have no requests from the public to speak. Right? Last call. Capital improvement budget. Okay, I think we're done. So before we adjourn, we should release the dates that we had reserved next week for capital budget sessions. Which were City Clerk, Monday afternoon, Wednesday and Thursday as well?

>> Dennis Hawkins: I believe that's correct.

>> Jennifer Maguire: Yes. It was Monday, May 14th, from 1:30 to 5:00. Wednesday, May 16th from 9:00 to noon and Thursday, May 17th from 9:00 to noon. Those will be released.

>> Mayor Reed: Okay, let's release those. Don't spend all that time in one place, councilmembers. We had Wednesday and Thursday just in case. So we're really just eliminating the Monday meeting a little ahead of schedule so we are adjourned.